

THE THIRTY-FOURTH ANNUAL REPORT

OF THE

BOARD OF ACTUARIES OF THE CIVIL
SERVICE RETIREMENT AND DISABILITY
FUND FOR THE FISCAL YEAR ENDED
JUNE 30, 1954

AND

THE REPORT OF THE COMPTROLLER
GENERAL ON AUDIT FINDINGS RELATING
TO CIVIL SERVICE RETIREMENT AND
DISABILITY FUND, UNITED STATES CIVIL
SERVICE COMMISSION, FOR FISCAL
YEARS 1954 AND 1955



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HOUSE RESOLUTION 398

IN THE HOUSE OF REPRESENTATIVES,
February 21, 1956.

Resolved, That there be printed as a House document the Thirty-fourth Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund together with the Comptroller General's Report on Audit Findings Relating to Civil Service Retirement and Disability Fund, United States Civil Service Commission, for Fiscal Years 1954 and 1955, and that one thousand additional copies be printed for the use of the Committee on Post Office and Civil Service, House of Representatives.

LETTER OF TRANSMITTAL

UNITED STATES CIVIL SERVICE COMMISSION,
Washington 25, D. C., January 19, 1956.

Hon. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: The Commission is pleased to send you herewith the Thirty-fourth Annual Report of the Board of Actuaries of the Civil Service Retirement and Disability Fund for the fiscal year ended June 30, 1954, submitted in pursuance of section 16 of the Civil Service Retirement Act.

A copy of this report has also been sent to the President of the Senate.

Sincerely yours,

PHILIP YOUNG, *Chairman.*

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LETTER OF SUBMITTAL

NEW YORK, N. Y., *November 14, 1955.*
UNITED STATES CIVIL SERVICE COMMISSION,
Washington, D. C.

GENTLEMEN: The Board of Actuaries, appointed under section 16 of the act of May 22, 1920, for the retirement of employees in the civil service of the United States, has the honor to submit herewith its 34th annual report on the operation of the fund.

In accordance with the practice of the Board in the past, the report gives a statement of the appropriation payable by the Government under the Retirement Act, as amended, on the basis of the estimated membership of the fund as of June 30, 1954.

The Board of Actuaries has always recommended that when an employee enters the membership of the retirement fund both he and the Government should contribute a level percentage of his salary each year so that the cost of providing the annuity accruing on account of each year's service will be met. President Coolidge adopted the recommendations of the Board and the necessary governmental appropriations to comply with this policy were made during his administration. The various administrations since his time have considered this policy to be sound, despite the fact that in certain years the full amount was not paid.

But now the policy is being discarded. Not only is the Government not making the appropriations needed but it is actually using the money appropriated in the past and the interest thereon to finance the present annuity roll, without holding the contributions for the purpose for which they were made. The amount to meet the accruing liability for annuity credits being earned by active members is being left out of the budget supposedly on the theory that future budget makers will be able to include it, plus interest, and that in the future Congress will have to appropriate it if the promised annuities to retired employees are to be paid. Does Congress consider this a sound fiscal policy?

The Board of Actuaries believes that the situation is too serious to be overlooked by either the members of the fund or by the Members of Congress. Members of the fund are having to make their contributions currently and pay income taxes on them. The Government is discontinuing its contributions and showing a smaller budget for the cost of personnel, but the real cost is not being reduced.

The Board believes that the Congress should review the change in policy, which it appears to have adopted in connection with the budget, and consider its probable effect on taxpayers and employees.

Respectfully submitted.

GEO. B. BUCK,
R. R. REAGH,
JOHN P. JONES,
Board of Actuaries,

Civil Service Retirement and Disability Fund.

THIRTY-FOURTH ANNUAL REPORT OF THE BOARD OF ACTUARIES OF THE CIVIL-SERVICE RETIREMENT AND DISABILITY FUND

The civil-service retirement and disability fund was established in 1920 to furnish retirement benefits to officers and employees of the United States Government who become superannuated in governmental service, or incapacitated before attaining old age. The Retirement Act makes provision for a Board of Actuaries of the Civil Service Retirement Act and in section 16 defines the chief duties of the Board to be as follows:

* * * to annually report upon the actual operations of this Act, with authority to recommend to the Civil Service Commission such changes as in their judgment may be deemed necessary to protect the public interest and maintain the system upon a sound financial basis, and they shall make a valuation of the "civil-service retirement and disability fund" at intervals of five years, or oftener if deemed necessary by the Civil Service Commission; they shall also prepare such tables as may be required by the Civil Service Commission for the purpose of computing annuities under this Act * * *.

This report, which has been prepared as of June 30, 1954, is the 34th annual report of the Board of Actuaries. A regular valuation of the fund is long overdue. The last regular quinquennial valuation of the fund to be prepared under the supervision of the Board of Actuaries was made as of June 30, 1940, and the appropriations for collecting the necessary records and making subsequent quinquennial valuations as called for under the law have not been available. In connection with the work of the Committee on Retirement Policy for Federal Personnel, a valuation of the fund was prepared as of June 30, 1953, based on the records of a special 5 percent sample of all employees. Since the valuation so prepared is the latest valuation available, the Board has summarized the results of this valuation in this report and has based thereon its recommendations regarding the annual appropriation payable by the Government.

In making its valuation the Committee made certain changes in the basic mortality and service tables previously approved by the Board. These changes have now been adopted by the Board and a complete set of the basic tables as so adopted is given in the appendix to this report.

The report gives first a summary of the main benefit and contribution provisions of the act as amended to June 30, 1954. This summary is followed by an estimate of the present membership and a table showing the number and amount of annuities in force on June 30, 1954. The valuation balance sheet is then given, together with a discussion of the appropriation payable by the Government for the support of the fund. Statements giving the results of a valuation of the liabilities of the fund on account of annuities in force as of June 30, 1954, and the results of the mortality experience of annuitants for the past year are then submitted. In conclusion, the Board gives certain comments on the present operation of the fund.

SUMMARY OF BENEFIT AND CONTRIBUTION PROVISIONS OF THE
CIVIL-SERVICE RETIREMENT AND DISABILITY FUND

On March 6, 1954, an act was approved which granted legislative employees an extension of time within which to elect retirement coverage and liberalized the benefits payable to certain of such employees and their survivors. This act also liberalized various retirement provisions applicable to Members of Congress. Public Law 747, 83d Congress, made permanent, effective October 1, 1954, the temporary increases in annuities provided under Public Law 555, 82d Congress, and authorized adjustments in certain cases where employees who made voluntary contributions were limited in the amount of increase. Other laws affecting the operation of the fund were adopted during the past year, but these did not affect the main benefit and contribution provisions of the act as they were interpreted by the Board of Actuaries.

The following summary states the main benefit and contribution provisions of the act as they were interpreted by the Board of Actuaries. "Average annual basic salary" is used to denote the average annual basic salary received by the employee during any 5 consecutive years of allowable service at the option of the employee.

BENEFITS

Service retirement

*Condition for eligibility.*¹—Retirement is compulsory at age 70 after 15 years of service.

Retirement is permissible at the option of the employee at age 60 after 30 years of service or at age 62 after 15 years of service.

At the option of the employee at age 55 after 30 years of service, or upon involuntary separation not due to misconduct or delinquency after 25 years of service, an immediate annuity is payable equal to the regular annuity reduced by one-quarter percent for each month the employee is under age 60.

*Amount of benefit.*²—The annuity is determined by 1 of 2 plans, whichever provides the larger benefit.

Plan I: An annuity equal to 1½ percent of average annual basic salary for each year of service, but no such annuity is to exceed 80 percent of average annual basic salary.

Plan II: An annuity equal to 1 percent of average annual basic salary plus \$25 for each year of service, but no such annuity is to exceed 80 percent of average annual basic salary.

Disability retirement

Condition for eligibility.—Retirement is permissible upon disability after 5 years of civilian service.

Amount of benefit.—The benefit is determined by the same method as used for service retirement.

¹ Certain employees who have rendered 20 years of service in the investigation, apprehension, or detention of persons suspected or convicted of offenses against the criminal laws of the United States are eligible to retire after age 50 and receive an annuity of 2 percent of average basic salary for any 5 consecutive years multiplied by the number of years of service not exceeding 30 years.

² An additional annuity of \$38 for each year of certain specified service in Alaska or on the Isthmus of Panama is allowed officers and employees who are citizens of the United States. An officer or employee of the legislative branch may elect to receive, in lieu of the benefit under either of the 2 plans, an annuity equal to 2½ percent of his average annual basic salary multiplied by his years of service not in excess of 15 years plus 1½ percent of such salary multiplied by his years of service in excess of 15 but not to exceed 80 percent of such salary.

Any compensation for disability paid from the United States employees' compensation fund is deducted from the annuity benefit payable on account of the same disability.

Discontinued service retirement

Condition for eligibility.—Upon separation from service after 5 or more years of civilian service, a deferred annuity is payable.

Amount of benefit.—The deferred annuity begins at age 62 or at age of separation, if later, and is computed by the same method as the regular annuity but without choice of a joint and survivorship option.

If the employee has less than 20 years of civilian service, he may elect to receive his contributions with interest at 4 percent to December 31, 1947, and 3 percent thereafter to date of separation in lieu of the deferred annuity.

Return of contributions upon withdrawal from active service

Return of total contributions is made upon withdrawal from active service before 5 years of civilian service. Interest at 4 percent to December 31, 1947, and at 3 percent thereafter is allowed if service is in excess of 1 year.

Return of contributions on death before retirement

On death before 5 years of civilian service or after 5 years of civilian service when there is no survivor entitled to an annuity, return of total contributions is made with interest at 4 percent to December 31, 1947, and 3 percent thereafter to date of death of the employee.

Return of contributions on death before commencement of payment under a deferred annuity

Return of total contributions is made upon death before commencement of deferred annuity. (Interest is allowed at 4 percent to December 31, 1947, or to date of separation, whichever is earlier, and 3 percent thereafter to date of death.)

Return of contributions upon death after retirement

Upon death before the payments of the annuity amount to contributions (with interest at 4 percent to December 31, 1947, and 3 percent thereafter to date of retirement) the difference is paid, unless there is a survivor entitled to an annuity.

Annuities to dependents upon death in active service

Condition for eligibility.—Annuities to dependents are paid upon death of an employee in active service after 5 years of civilian service.

Amount of benefit.—(a) If survived by a widow, an annuity beginning the first of the month following the death of the employee or widow's attainment of age 50, whichever is later, equal to one-half regular annuity is payable to the widow until death or remarriage.

(b) If survived by a widow and a child or children, in addition to (a), an immediate annuity equal to one-half regular annuity to the employee is payable to the widow until death, remarriage, or attainment of age 50. Also an immediate annuity equal to one-fourth of the regular annuity, not in excess of \$900 divided by the number of children, or \$360, whichever is lesser, is payable to each child.

The annuity payable to a child is terminated upon attainment of age 18, marriage, or death, whichever is earlier, except if such child

is incapable of self-support by reason of mental or physical disability his annuity is terminated only upon death, marriage, or recovery from such disability.

(c) If survived by a child or children and there is no widow or widower, an immediate annuity equal to one-half regular service annuity, not in excess of \$1,200 divided by the number of children, or \$480, whichever is lesser, is payable to each child until attainment of age 18, marriage, or death, whichever is earlier, except if any such child is incapable of self-support by reason of mental or physical disability his annuity is terminated only upon death, marriage, or recovery from such disability.

Upon death of the widow, the annuity payable under (b) to a child or children is recomputed and paid as provided in (c).

Upon termination of the annuity of a child, the annuities to other children are recomputed as though the child whose annuity was terminated had not survived the employee.

Optional benefits

At retirement a married employee may elect to receive in lieu of his or her regular annuity a reduced annuity payable during the employee's life and an annuity payable to the surviving widow or widower equal to 50 percent of the regular annuity before reduction. The annuity to the survivor commences upon the employee's death or the survivor's attainment of age 50, whichever is later, and ceases upon death or remarriage. The reduction in the employee's annuity is 5 percent of so much of the regular annuity as does not exceed \$1,500, plus 10 percent of any excess over \$1,500, plus three-fourths of 1 percent for each year the spouse lacks of being age 60 at the date of retirement, but in no case shall the reduced annuity be less than 75 percent of such regular annuity.

At service retirement any unmarried employee in good health may elect to receive in lieu of his regular annuity a reduced annuity payable during his life and an annuity payable after his death to a survivor annuitant equal to 50 percent of such reduced annuity and, upon death of a survivor annuitant, all payments cease. The annuity payable to the employee is as follows: 90 percent of life annuity if survivor is same age or older or is less than 5 years younger than annuitant; 85 percent of life annuity if survivor is 5 but less than 10 years younger than annuitant; 80 percent of life annuity if survivor is 10 but less than 15 years younger than annuitant; 75 percent of life annuity if survivor is 15 but less than 20 years younger than annuitant; 70 percent of life annuity if survivor is 20 but less than 25 years younger than annuitant; 60 percent of life annuity if survivor is 25 or more years younger than annuitant.

Annuities to dependents upon death after retirement

Benefits to widows with children and to children upon death of annuitants are similar to those payable upon death of employees in active service, except that benefits are based on regular annuity paid to annuitant and the annuity payable to the widow with a child or children terminates upon death, remarriage, or attainment of age 50, unless an optional benefit was selected by annuitant. No benefits are payable to dependents of annuitants retired on account of discontinued service.

Benefits to annuitants retired prior to April 1, 1948

Benefits to annuitants retired prior to April 1, 1948, were increased by 25 percent or by \$300, whichever was less, provided any such annuitant could, prior to April 1, 1948, elect to retain his or her present annuity in lieu of the increased annuity and provide that one-half of such present annuity, but not to exceed \$600, be continued to his wife or her husband until death. Effective September 1, 1950, the annuities of those who in 1948 elected survivor benefits were increased as stated above. Survivor benefits, as previously described, were granted those who in 1948 elected the increase, applicable in any case where death occurs after April 30, 1948, but no survivor annuity was payable for any period prior to September 1, 1950.

No change was made in deferred annuities payable to employees separated from service prior to April 1, 1948.

Benefits to annuitants retired prior to July 16, 1952

Benefits to annuitants retired prior to July 16, 1952, were increased by \$36 for each full 6-month period elapsed between the commencing date of annuity and October 1, 1952, but such increase did not exceed the smaller of (1) \$324, (2) 25 percent of the annuity including annuity purchased by voluntary contributions, or (3) sum necessary to increase such annuity, exclusive of annuity purchased by voluntary contributions, to \$2,160.

CONTRIBUTIONS

By employees

Employees pay 6 percent of salary commencing July 1, 1948.

Any employee may at his option and under regulations prescribed by the Civil Service Commission deposit additional sums in multiples of \$25 but not to exceed 10 percent of his annual salary for service rendered since August 1, 1920, for the purchase of an additional annuity.

By Government

Annual appropriations required in addition to employees' contributions to support the plan are to be made by the Government.

ESTIMATED ACTIVE MEMBERSHIP AS OF JUNE 30, 1954

According to the census made by the Committee on Retirement Policy for Federal Personnel, the coverage under the fund as of September 30, 1953, consisted of 1,661,940 active members. The Board of Actuaries has used this number as the number of members as of June 30, 1954, and assumed their annual payroll to be \$7,124,400,000.

ANNUITANTS ON THE ROLL AS OF JUNE 30, 1954

The following table summarizes the number and amount of annuities in force on June 30, 1954, as shown by the records of annuitants maintained by the Civil Service Commission. The amounts of annuities include the increases made permanent by Public Law 747, 83d Congress. On pages 25 to 30 of this report, the distributions of the number and annuities of annuitants on the roll as of June 30, 1954, by age are given.

TABLE 1.—The number and annual annuities of annuitants on the roll June 30, 195

Group	Regular annuities		Voluntary annuities		Total annuities
	Number	Amount	Number	Amount	
Retired on account of age and voluntary and involuntary separations:					
Men.....	126,460	\$195,274,680	2,197	\$659,868	\$195,934,548
Women.....	25,503	32,414,688	844	166,224	32,580,912
Total.....	151,963	227,689,368	3,041	826,092	228,515,460
Retired on account of disability:					
Men.....	43,813	50,056,128	383	69,264	50,125,392
Women.....	12,929	13,585,044	170	22,404	13,607,448
Total.....	56,742	63,641,172	553	91,668	63,732,840
Survivors of deceased employees:					
Widows.....	20,308	12,968,064			12,968,064
Children.....	12,044	2,611,692			2,611,692
Total.....	32,352	15,579,756			15,579,756
Survivors of deceased annuitants: ¹					
Widows:					
Terminable on death or remarriage.....	5,923	5,147,244			5,147,244
Terminable on death only.....	19,922	10,399,524			10,399,524
Children.....	1,779	437,364			437,364
All others:					
Men.....	509	192,684			192,684
Women.....	88	54,120			54,120
Total.....	28,221	16,230,936			16,230,936
Grand total.....	269,278	323,141,232	3,594	917,760	324,058,992

¹ Includes voluntary annuities continued to survivors.

COST OF BENEFITS PAYABLE UNDER FUND

Each employee pays 6 percent of his compensation into the fund. The amounts so contributed are credited to the employee's individual account and, if he leaves service or dies before he has completed 5 years of civilian service, his total credits with interest are returned to him or to his beneficiary. If an employee leaves service after completing 5 years but before 20 years of civilian service, he may elect to have his contributions returned to him with interest, or, in lieu thereof, he may apply for a deferred annuity beginning at age 62, computed by the same method as a regular annuity but without choice of a joint and survivorship option. If he leaves after 20 years of civilian service, he is paid a deferred annuity beginning at age 62, computed by the same method as a regular annuity but without choice of a joint and survivorship option. When the employee qualifies for retirement, he receives the stipulated retirement allowance based on his service and salary, and if he dies before the payments of this allowance are equal to his contributions with interest to the retirement date, the balance is paid to his beneficiary or estate unless there are survivors entitled to any annuity.

The Retirement Act does not set a definite percentage contribution rate to be paid by the Government but provides that an estimate of the appropriation necessary to finance the fund be submitted each year to the Bureau of the Budget. The Board has recommended that the appropriations consist of two contributions, namely, a "normal" contribution and a "deficiency" contribution. The normal contribution rate is the average percentage of the salaries of all new employees that is required to be paid into the fund from the time they enter service until they leave service in order to accumulate sufficient funds

to pay their benefits. Part of this normal contribution is met by the employees' contributions and the remainder represents the normal contribution rate of the Government. The deficiency contribution is required because at the time of the establishment of the fund, employees then in service were given credit for their prior service during which no contributions had been made by the Government. Therefore, there was an accrued liability or deficiency to be met by the Government at that time. Further increases in the deficiency have come about through changes in the benefit provisions, through the addition of new groups of employees to whom credit for service rendered prior to their admission was allowed, and through the fact that in certain years the Government's appropriations have not been sufficient to meet the current cost of the fund. Except for appropriations to cover increases in annuities under Public Law 555, 82d Congress, there were no appropriations for the fiscal years ended June 30, 1954, and June 30, 1955, so that the deficiency is growing rapidly. Only an actuarial valuation will show how the deficiency stands today. Since the most recent valuation is that prepared by the Committee on Retirement Policy for Federal Personnel, the results of its valuation are given below.

VALUATION BALANCE SHEET

The valuation prepared by the Committee on Retirement Policy for Federal Personnel was based on the records of a 5 percent sample of Federal employees and then adjusted to cover all Federal employees under the Retirement Act and those under the old-age and survivor insurance (F. I. C. A.). The following balance sheet shows the liabilities of the fund only for those employees now covered under the fund. It does not include the liabilities for the special provisions applying to investigative employees and Members of Congress. The tables given in the appendix to this report with a 3 percent interest rate were used in its preparation.

TABLE 2.—A valuation of the liabilities and assets of the Civil Service Retirement and Disability Fund as of June 30, 1953

[Present values in millions]

LIABILITIES	
Benefits payable with respect to annuitants now on the roll.....	\$2,705
Benefits payable with respect to separated employees.....	573
Prospective benefits payable with respect to present active employees:	
Age and service retirement annuities including voluntary annuities.....	\$13,225
Disability retirement annuities.....	1,741
Discontinued service retirement annuities.....	1,712
Return of contributions with interest upon separation without annuity benefits.....	138
Benefits to survivors of employees dying in service.....	2,717
Benefits to survivors of employees dying after separation from service.....	2,461
Miscellaneous current liabilities.....	21,994
Total liabilities.....	27
	25,299
ASSETS	
Funds in hand.....	\$5,636
Deposits by employees to secure full credit for service not covered by deductions.....	260
Future contributions by present employees.....	5,111
Appropriation required of Government:	
To meet normal cost accruing annually.....	\$4,391
To meet accrued liability.....	9,911
Total.....	14,302
Total assets.....	25,299

COMMENTS ON VALUATION

The preceding balance sheet shows that as of June 30, 1953, the total obligation of the fund had a present value of \$25,299 million, of which \$2,705 million represented obligations to employees already retired and \$22,594 million to present and former employees who are expected to qualify for benefits in the future. The funds in hand were \$5,636 million, the future contributions of the present membership at 6 percent of salary and back deposits had a present value of \$5,361 million and the amounts to be appropriated by the Government in behalf of the present active and retired membership if their full benefits are to be paid had a present value of \$14,302 million.

In its report the Committee described the various possible methods of funding the Government's obligations under the Retirement Act and it recommended the adoption of the "normal plus interest" method. Under this method the Government would appropriate each year an amount sufficient to meet that part of the accruing cost of the benefits payable under the plan on account of service currently rendered which is not met by the 6-percent contribution of members. In addition, it would appropriate the accruing interest on the deficiency in the fund which has arisen on account of inadequate contributions in the past. This is the minimum payment which would keep the deficiency from increasing. The normal contribution payable by the Government as determined by the Committee is 5.15 percent of payroll and the present value of this contribution was shown by the valuation to be \$4,391 million. The balance of the contributions required of the Government, or \$9,911 million, represents the deficiency as of June 30, 1953.

ANNUAL APPROPRIATION OF GOVERNMENT ON BASIS OF ESTIMATED PAYROLL AS OF JUNE 30, 1954

On the basis of the deficiency shown by the valuation prepared by the Committee on Retirement Policy for Federal Personnel, the Board of Actuaries has estimated the deficiency in the fund as of June 30, 1954, and determined the appropriation required of the Government should it make the normal contribution to cover the part of the currently accruing cost not met by members' contributions and provide interest on the deficiency. The following statement shows the appropriation payable on this basis:

TABLE 3.—*Estimated annual contributions required to support the civil service retirement and disability fund prepared as of June 30, 1954*

Contribution	Normal cost as—		Deficiency cost as—		Total cost as—	
	Percent- age of payroll	Annual amount	Percent- age of payroll	Annual amount	Percent- age of payroll	Annual amount
Total.....	11.15	\$794,370,600	4.55	\$324,160,200	15.70	\$1,118,530,800
Payable by employee.....	6.00	427,464,000			6.00	427,464,000
Payable by Government....	5.15	366,906,600	4.55	324,160,200	9.70	691,066,800

The preceding table shows the normal cost to support the benefits accruing on account of current service to be equivalent to 11.15 percent of payroll. This is the rate developed by the Committee in connection with the 1953 valuation. The employees contribute

6 percent toward the normal cost and, therefore, there remains 5.15 percent to be paid by the Government. On the basis of the estimated payroll as of June 30, 1954, this represents an annual payment of \$366,906,600. The deficiency rate of 4.55 percent represents the percentage of payroll as of June 30, 1954, which produces 3 percent interest on the estimated deficiency as of that date. This is the minimum payment which will keep the principal amount of deficiency from increasing. This payment is shown by the table to be \$324,160,200. This entire deficiency contribution is a liability of the Government. Therefore, the total annual contribution recommended for payment by the Government on the basis of the estimated payroll as of June 30, 1954, is \$691,066,800.

The amount of the annual deficiency payment is greater than that shown in table 3 of last year's report because no appropriation was made by the Government for the fiscal year 1954 toward the regular benefits payable from the fund and an additional liability was incurred by the fund due to the passage of Public Law 747, 83d Congress. Hence, the deficiency increased during the year so that a larger payment is needed for the current year to provide the accruing interest. No regular appropriation was made for the year 1955. This means that the deficiency next year will be greater by the amount of unpaid appropriation. The deficiency is increasing at a rapid rate, and until the Government meets its share of the full normal cost and provides interest on the deficiency, the need of an increasing annual appropriation may be expected.

LIABILITIES OF FUND ON ACCOUNT OF ANNUITANTS ON THE ROLL AS OF JUNE 30, 1954

In accordance with its usual practice, the Board of Actuaries is presenting below the results of a valuation of the liabilities of the fund on account of annuitants on the roll. This valuation, prepared as of June 30, 1954, was based on mortality tables recently adopted by the Board. These tables are appended to this report. A 3-percent interest rate was used.

TABLE 4.—Liabilities on account of annuitants as of June 30, 1954

Group	Present value of benefits to annuitants on the roll ¹		
	Regular annuities	Voluntary annuities	Total annuities
Retired on account of age and voluntary and involuntary separation.....	\$2,010,500,000	\$8,310,000	\$2,018,810,000
Retired on account of disability.....	587,532,000	965,000	588,497,000
Reversionary annuities to designated beneficiaries ²	362,899,000		362,899,000
Survivorship annuities ²	392,775,000		392,775,000
Total.....	3,353,706,000	9,275,000	3,362,981,000

¹ Includes \$222,641,000 due to increases in annuities to members retired prior to July 16, 1952.

² Includes voluntary annuities.

In the 33d annual report of the Board, the liabilities on account of annuities payable to annuitants on the roll as of June 30, 1953, were shown to be \$2,517,368,226, as compared with \$3,362,981,000 as of June 30, 1954, or an increase in liabilities of more than \$845 million during the year ended June 30, 1954. There are several

reasons for this increase. Not only did the annuity roll increase because of retirements during the year, but during the year the temporary increases in annuities to members retired prior to July 16, 1952, were made permanent and this increased the Government's obligation by over \$222 million. Then the change in mortality tables and the use of a 3 percent interest rate rather than 4 percent as previously have caused higher reserves to be set up than previously.

SUMMARY OF MORTALITY EXPERIENCE OF ANNUITANTS FOR THE YEAR ENDED JUNE 30, 1954

For the purpose of making a check of the new tables for annuitants, the actual and expected number of terminations and of annuities canceled by terminations during the past year were prepared, separately for men and women, who had retired on account of age, or voluntary or involuntary separation from service, and for men and women who had retired on account of disability. The following table summarizes the results of the comparison.

TABLE 5.—Summary of the comparisons of the actual and expected terminations among annuitants, July 1, 1953, to June 30, 1954

Group	Number of terminations			Monthly annuities terminated		
	Actual	Expected	Difference	Actual	Expected	Difference
Employee annuitants retired on account of age, voluntary or involuntary separation:						
Men.....	6,337	6,819.1	+482.1	\$706,439	\$772,176	+\$65,737
Women.....	727	739.7	+12.7	65,918	66,389	+471
Employee annuitants retired on account of disability:						
Men.....	2,915	3,320.7	+405.7	(1)	(1)	(1)
Women.....	539	620.3	+81.3	(1)	(1)	(1)

¹ Amounts not computed.

A check of the tables used for widows was also prepared this year. The following table summarizes the comparison.

TABLE 6.—Summary of the comparisons of the actual and expected terminations among survivor annuitants, July 1, 1953, to June 30, 1954

Group	Number of terminations			Monthly annuities terminated		
	Actual	Expected	Difference	Actual	Expected	Difference
Deaths:						
Widows of deceased employees.....	192	148.3	-43.7	\$10,049	\$7,532	-\$2,517
Widows of deceased annuitants.....	687	610.7	-76.3	29,512	26,779	-2,733
Remarriages:						
Widows of deceased employees.....	365	391.0	+26.0	11,548	15,807	+4,259
Widows of deceased annuitants.....	53	72.3	+19.3	2,101	4,329	+2,228

COMMENTS ON ANNUITANTS' EXPERIENCE

The ratio of the actual number of terminations to the expected number, and the ratio of the amount of actual annuities canceled to the expected amount for the past year compared with the corresponding items for the year ended June 30, 1953, are as follows:

TABLE 7.—Comparison of mortality and termination experience for years ended June 30, 1953 and 1954

Group	Ratio of numbers of terminations to expected for year ended June 30		Ratio of amount of annuities canceled to expected amounts for year ended June 30	
	1953	1954	1953	1954
Employee annuitants retired on account of age, voluntary or involuntary separations:				
Men.....	0.991	0.929	0.978	0.915
Women.....	.843	.983	.804	.993
Employee annuitants retired on account of disability:				
Men.....	1.499	.878	1.582	(1)
Women.....	1.210	.869	1.247	(1)

¹ Not computed.

This table is not as informative as it could normally be because the comparisons for 1953 were on the basis of the tables then used by the Board of Actuaries and the comparisons for 1954 were based on the new tables adopted by the Committee.

The table does indicate that the mortality and termination experience for the year was not favorable to the fund.

CONCLUSION

In conclusion the Board would like to comment briefly on the plan recommended by the Committee on Retirement Policy for Federal Personnel for coordinating the civil-service retirement fund with the old age and survivors' insurance system of the Social Security Act. The Committee favors the inclusion of Federal civilian employees under the act with the continuation of the civil-service retirement and disability fund to provide supplemental benefits along the lines which have been used in modifying industrial pension plans on account of Social Security benefits. The Committee would bring under the Civil Service Retirement Act the Federal civilian employees now covered exclusively by old age and survivors' insurance. In this way there would be uniform coverage for Federal civilian employees when they move from one branch of the service to another.

Under the plan proposed by the Committee the employees would receive retirement benefits at the existing level upon retirement before age 65 and somewhat higher combined benefits after age 65, to which would be added the benefit to the wife or dependent husband who qualified for benefit under the Social Security Act. Survivor protection for members of the fund would be improved and, as a whole, employees would receive better coverage and higher benefits than at present.

The Committee states that immediate savings would accrue to both employees and Government through the adoption of a coordinated plan. Employees would reduce their contributions to the retirement fund on compensation up to \$4,200 to 3½ percent but continue to pay 6 percent on the excess. As increases in the social-security taxes take place, the combined contribution on the compensation up to \$4,200 would exceed the present 6 percent rate. Under the social-security law as now written the taxes will gradually increase until the maximum tax is reached in 1975 and at that time employees would pay 7½

percent on compensation up to \$4,200. By graduating the taxes in this way the social-security law defers to the future the payment of the full cost of social-security benefits. In the case of employees retiring in the near future the taxes payable by them and in their behalf do not begin to pay for the benefits they receive. Their costs are met by future increases in taxes payable for and by the younger employees.

If at present the Government were making the full normal contribution to support retirement benefits, plus at least interest on the deficiency, there would probably be some immediate reduction in current appropriation through coordinating the retirement plan with social security. The Committee estimates that there would be a reduction in the normal percentage rate payable by the Government from 5.15 percent of payroll to 3.72 percent and that at the same time the deficiency would be reduced about a third. However, it does not seem proper to refer to a saving in relation to an appropriation which is not being made. The Government's share of the cost of the existing benefits is not being met and since the ultimate combined benefits to employees would be increased by coverage under the Social Security Act the ultimate outlay of the Government will be greater under the coordinated plan than under the existing plan. Coordination would simply mean transferring some of the Government obligations which now have to be met under the retirement plan to the Social Security Act.

The Board of Actuaries does not take a position for or against coordination of the civil service retirement and disability fund with social security. If by putting employees under social security the Government will recognize its obligations not only by providing its social-security tax but by meeting the normal accruing cost under the retirement fund and interest on its reduced deficiency, then it would seem a step in the right direction toward the proper funding of its retirement obligations.

No regular Government appropriation was made for the fiscal year 1955, but, in spite of this, Public Law 747, 83d Congress, was passed, adding approximately \$222 million to the obligations of the fund for increases in annuities. In paying the increased annuities the contributions made by employees and by the Government in the past are being dissipated and thus the reserves for prospective annuities to present employees are being diminished. If the Congress desires to pay these additional annuities, it would seem that it should be willing to pay for their cost and not charge it against past appropriations, or let the cost accumulate to be met from future appropriations.

As stated elsewhere in this report, the Committee on Retirement Policy for Federal Personnel recommends that a systematic method of financing the fund be adopted and specifically as soon as practicable the "normal plus interest" basis be used. In his message transmitting to the Congress the budget of the United States Government for the fiscal year 1956, the President stated that the Committee's report established the necessity for a sound and lasting financial basis for the civil-service retirement system.

For many years the Board of Actuaries has consistently recommended that appropriations to the civil-service retirement and disability fund be made on a full reserve funding method which would provide for the funding of the accrued liability by 1998. The Board

still considers that this method of financing is the best method to follow. However, since a number of other governmental plans are now being financed on a "normal plus interest" basis, and since the Committee on Retirement Policy recommended this method, the Board agrees with the Committee that the specification of the "normal plus interest" method of financing would be a very great improvement over the present unsound method of allowing deficits to accumulate.

The Board recommends further that the appropriation determined in the method specified be included in the annual budget just as salaries and other expenses of the Government are included.

Since the amounts required under the "normal plus interest" method of financing depend on the liabilities of the Government as determined by actuarial valuation, the Board recommends that a legislative act provide the means for maintaining adequate records of the membership necessary for making periodic valuations and for the actual work of the valuation.



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APPENDIX

BASIC TABLES

The basic tables used in the valuation made by the Committee on Retirement Policy for Federal Personnel were not submitted to the Board of Actuaries for approval but, since they are the ones used and the valuation is the only one available, the Board has adopted them for use pending further experience. The tables previously approved by the Board are given in the appendix of its 22d annual report. The present tables differ from those previously approved in the following respects:

Considering first the rates of separation from active service, the same withdrawal rates were used for men and women. Two active service tables are used, one for all men regardless of occupational classification and the second for all women. As previously, select rates of withdrawal from active service applicable to each of the first 3 years of service were used. The ultimate rate was the combined rate for voluntary and involuntary withdrawal which formed the basis for the 1940 table for general employees. For the first year of service 10 times the ultimate rate was used; for the second year, 5 times the ultimate rate; and for the third year, twice the ultimate rate. New rates of death in active service were used, which were based on the Life Tables for White Males and Females, United States, 1949-51. For rates of retirement on account of disability and on account of service, rates based on the actual experience were developed. The salary scale was based on the 1953 records used in the valuation.

With respect to annuitants' mortality, no change was made in the table previously adopted for men service annuitants, but the table for women service annuitants was changed by reducing the mortality rate by 7 per 1,000. For disabled annuitants new tables were prepared on a 3-year select basis. For survivors of deceased employees or annuitants, the same mortality rates as were used for employee annuitants were adopted, but for women a remarriage rate equal to 150 percent of the American Remarriage Rate was adopted.

The rates of separation from active service and the rates of mortality of annuitants which formed the basis for the tables are given in the following pages. The active service tables and annuity values derived from the rates are also given.

TABLE 8.—Rates of separation from active service before eligibility for service retirement

Attained age	Rates of withdrawal—Male and female				Rates of death		Rates of disability	
	1st year	2d year	3d year	Ultimate	Male	Female	Male	Female
15	0.5180			0.0518	0.0010	0.0005		
16	.5110	0.2555		.0511	.0012	.0006		
17	.5040	.2520	0.1008	.0504	.0013	.0006		
18	.4960	.2480	.0992	.0496	.0014	.0007		
19	.4880	.2440	.0976	.0488	.0015	.0007		
20	.4800	.2400	.0960	.0480	.0016	.0007	0.0005	0.0007
21	.4710	.2355	.0942	.0471	.0017	.0008	.0005	.0007
22	.4610	.2305	.0922	.0461	.0018	.0008	.0005	.0007
23	.4510	.2255	.0902	.0451	.0018	.0008	.0006	.0007
24	.4400	.2200	.0880	.0440	.0017	.0009	.0006	.0007
25	.4290	.2145	.0858	.0429	.0017	.0009	.0006	.0007
26	.4160	.2080	.0832	.0416	.0017	.0009	.0006	.0008
27	.4010	.2005	.0802	.0401	.0017	.0010	.0006	.0008
28	.3840	.1920	.0768	.0384	.0017	.0010	.0006	.0008
29	.3670	.1835	.0734	.0367	.0017	.0011	.0006	.0008
30	.3510	.1755	.0702	.0351	.0018	.0011	.0006	.0008
31	.3350	.1675	.0670	.0335	.0019	.0012	.0006	.0009
32	.3190	.1595	.0638	.0319	.0020	.0013	.0007	.0009
33	.3030	.1515	.0606	.0303	.0021	.0014	.0007	.0010
34	.2870	.1435	.0574	.0287	.0023	.0015	.0008	.0011
35	.2720	.1360	.0544	.0272	.0024	.0016	.0008	.0012
36	.2570	.1285	.0514	.0257	.0026	.0017	.0009	.0013
37	.2430	.1215	.0486	.0243	.0029	.0018	.0010	.0014
38	.2300	.1150	.0460	.0230	.0032	.0020	.0011	.0015
39	.2160	.1080	.0432	.0216	.0035	.0022	.0013	.0017
40	.2020	.1010	.0404	.0202	.0038	.0024	.0014	.0019
41	.1890	.0915	.0378	.0189	.0042	.0026	.0016	.0021
42	.1770	.0885	.0354	.0177	.0047	.0028	.0018	.0023
43	.1660	.0830	.0332	.0166	.0052	.0031	.0020	.0025
44	.1560	.0780	.0312	.0156	.0057	.0034	.0023	.0028
45	.1460	.0730	.0292	.0146	.0063	.0037	.0026	.0031
46	.1370	.0685	.0274	.0137	.0069	.0040	.0030	.0035
47	.1280	.0640	.0256	.0128	.0076	.0044	.0034	.0039
48	.1190	.0595	.0238	.0119	.0083	.0047	.0039	.0044
49	.1090	.0545	.0218	.0109	.0092	.0051	.0045	.0050
50	.0990	.0495	.0198	.0099	.0100	.0055	.0052	.0057
51	.0910	.0455	.0182	.0091	.0110	.0060	.0061	.0066
52	.0840	.0420	.0168	.0084	.0120	.0065	.0072	.0078
53	.0770	.0385	.0154	.0077	.0131	.0070	.0088	.0094
54	.0710	.0355	.0142	.0071	.0143	.0077	.0110	.0110
55	.0650	.0325	.0130	.0065	.0156	.0083	.0131	.0131
56	.0590	.0295	.0118	.0059	.0170	.0091	.0153	.0153
57	.0540	.0270	.0108	.0054	.0185	.0099	.0173	.0173
58	.0490	.0245	.0098	.0049	.0201	.0109	.0193	.0193
59	.0440	.0220	.0088	.0044	.0218	.0120	.0203	.0203
60	.0380	.0190	.0076	.0038	.0236	.0132	.0223	.0223
61	.0330	.0165	.0066	.0033	.0255	.0145	.0243	.0243
62	.0290	.0145	.0058	.0029	.0275	.0158	.0263	.0263
63	.0250	.0125	.0050	.0025	.0296	.0172	.0283	.0283
64	.0210	.0105	.0042	.0021	.0318	.0187	.0303	.0303
65	.0180	.0090	.0036	.0018	.0341	.0203	.0323	.0323
66	.0150	.0075	.0030	.0015	.0366	.0220	.0343	.0343
67	.0120	.0060	.0024	.0012	.0394	.0242	.0363	.0363
68	.0090	.0045	.0018	.0009	.0425	.0268	.0383	.0383
69	.0060	.0030	.0012	.0006	.0459	.0298	.0403	.0403

TABLE 9.—Rates of separation from active service after eligibility for service retirement

Attained age	Rates of retirement		Rates of death		Attained age	Rates of retirement		Rates of death	
	Male	Female	Male	Female		Male	Female	Male	Female
55	0.060	0.185	0.0156	0.0093	63	0.120	0.140	0.0296	0.0172
56	.035	.088	.0170	.0091	64	.125	.155	.0318	.0187
57	.033	.070	.0185	.0090	65	.130	.160	.0341	.0203
58	.038	.080	.0201	.0109	66	.140	.165	.0366	.0220
59	.047	.095	.0218	.0120	67	.150	.170	.0394	.0242
60	.105	.265	.0236	.0132	68	.160	.180	.0425	.0263
61	.160	.185	.0255	.0145	69	.200	.200	.0459	.0298
62	.130	.130	.0275	.0158					

TABLE 10.—Rates of decrement for annuitants and beneficiaries

Attained age	Service annuities		Disability annuities 1					Survivor annuities—Widows 2						
	Male	Female	Male			Female			1st year	2d year	3d year	4th year	5th year	Ultimate
			1st year	2d year	3d year	Ultimate	1st year	2d year						
20	0.00389	0.00100	0.0710	0.1164	0.1075	0.0998	0.0678	0.0946	0.2244	0.1774	0.1664	0.1730	0.1059	0.0753
21	0.00393	0.00109	0.0697	0.1130	0.1016	0.0988	0.0656	0.0911	0.2103	0.1664	0.1556	0.1623	0.0994	0.0707
22	0.00398	0.00117	0.0678	0.1071	0.0947	0.0959	0.0636	0.0859	0.1969	0.1545	0.1438	0.1500	0.0932	0.0683
23	0.00403	0.00126	0.0646	0.1003	0.0899	0.0929	0.0616	0.0811	0.1845	0.1425	0.1318	0.1425	0.0873	0.0622
24	0.00408	0.00134	0.0608	0.0931	0.0839	0.0890	0.0590	0.0760	0.1725	0.1301	0.1188	0.1243	0.0816	0.0584
25	0.00415	0.00143	0.0552	0.0856	0.0775	0.0831	0.0566	0.0665	0.1608	0.1188	0.1066	0.1159	0.0763	0.0545
26	0.00421	0.00151	0.0526	0.0807	0.0741	0.0782	0.0549	0.0620	0.1500	0.1029	0.0888	0.1051	0.0664	0.0510
27	0.00429	0.00160	0.0519	0.0801	0.0735	0.0775	0.0535	0.0595	0.1398	0.0938	0.0804	0.0964	0.0578	0.0477
28	0.00437	0.00169	0.0519	0.0801	0.0735	0.0775	0.0516	0.0578	0.1300	0.0835	0.0711	0.0868	0.0537	0.0415
29	0.00446	0.00177	0.0529	0.0808	0.0735	0.0775	0.0516	0.0578	0.1207	0.0737	0.0619	0.0771	0.0499	0.0386
30	0.00456	0.00186	0.0540	0.0816	0.0736	0.0782	0.0516	0.0578	0.1106	0.0633	0.0516	0.0664	0.0464	0.0336
31	0.00466	0.00194	0.0552	0.0825	0.0736	0.0790	0.0516	0.0578	0.1006	0.0533	0.0415	0.0564	0.0429	0.0293
32	0.00478	0.00203	0.0564	0.0835	0.0736	0.0801	0.0516	0.0578	0.0906	0.0437	0.0310	0.0463	0.0386	0.0251
33	0.00490	0.00211	0.0581	0.0847	0.0745	0.0811	0.0516	0.0578	0.0804	0.0337	0.0204	0.0363	0.0294	0.0218
34	0.00505	0.00220	0.0596	0.0862	0.0752	0.0835	0.0516	0.0578	0.0699	0.0245	0.0128	0.0254	0.0235	0.0189
35	0.00520	0.00229	0.0613	0.0885	0.0757	0.0859	0.0516	0.0578	0.0591	0.0176	0.0090	0.0202	0.0189	0.0154
36	0.00537	0.00237	0.0634	0.0900	0.0759	0.0878	0.0516	0.0578	0.0485	0.0128	0.0066	0.0168	0.0156	0.0129
37	0.00555	0.00246	0.0656	0.0910	0.0756	0.0899	0.0516	0.0578	0.0377	0.0083	0.0043	0.0138	0.0127	0.0104
38	0.00576	0.00254	0.0671	0.0913	0.0747	0.0918	0.0516	0.0578	0.0262	0.0045	0.0022	0.0104	0.0109	0.0083
39	0.00598	0.00263	0.0682	0.0911	0.0735	0.0933	0.0516	0.0578	0.0144	0.0010	0.0003	0.0073	0.0066	0.0049
40	0.00622	0.00271	0.0694	0.0909	0.0723	0.0954	0.0516	0.0578	0.0022	0.0001	0.0001	0.0043	0.0039	0.0026
41	0.00649	0.00280	0.0701	0.0906	0.0712	0.0974	0.0516	0.0578	0.0001	0.0001	0.0001	0.0024	0.0021	0.0014
42	0.00678	0.00289	0.0706	0.0903	0.0700	0.0994	0.0516	0.0578	0.0001	0.0001	0.0001	0.0016	0.0014	0.0009
43	0.00710	0.00297	0.0709	0.0899	0.0688	0.1016	0.0516	0.0578	0.0001	0.0001	0.0001	0.0010	0.0009	0.0006
44	0.00746	0.00306	0.0712	0.0898	0.0678	0.1038	0.0516	0.0578	0.0001	0.0001	0.0001	0.0006	0.0005	0.0003
45	0.00784	0.00314	0.0713	0.0896	0.0669	0.1060	0.0516	0.0578	0.0001	0.0001	0.0001	0.0003	0.0002	0.0001
46	0.00827	0.00323	0.0714	0.0895	0.0661	0.1082	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
47	0.00873	0.00331	0.0713	0.0895	0.0653	0.1104	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
48	0.00924	0.00340	0.0713	0.0894	0.0644	0.1126	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
49	0.00979	0.00349	0.0714	0.0894	0.0644	0.1148	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
50	0.01041	0.00357	0.0715	0.0897	0.0641	0.1170	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
51	0.01108	0.00366	0.0717	0.0901	0.0641	0.1192	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
52	0.01181	0.00374	0.0718	0.0906	0.0640	0.1214	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
53	0.01261	0.00383	0.0718	0.0910	0.0639	0.1236	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
54	0.01349	0.00391	0.0717	0.0914	0.0640	0.1258	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
55	0.01445	0.00400	0.0717	0.0918	0.0639	0.1280	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
56	0.01551	0.00411	0.0717	0.0925	0.0642	0.1302	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
57	0.01666	0.00421	0.0717	0.0935	0.0646	0.1324	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
58	0.01793	0.00439	0.0716	0.0944	0.0659	0.1346	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001
59	0.01932	0.00459	0.0713	0.0955	0.0671	0.1368	0.0516	0.0578	0.0001	0.0001	0.0001	0.0001	0.0001	0.0001

CIVIL SERVICE RETIREMENT AND DISABILITY FUND

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60	.02083	.00651	.0713	.0989	.0687	.0560	.0565	.0478	.0844	.0289	.0135	.0212	.0186	.0188	.0150	.0132
61	.02429	.00666	.0713	.0983	.0702	.0574	.0565	.0485	.0854	.0299	.0144	.0220	.0195	.0196	.0159	.0142
62	.02431	.00663	.0713	.1002	.0722	.0594	.0563	.0499	.0864	.0319	.0157	.0228	.0207	.0207	.0171	.0153
63	.02630	.01231	.0712	.1021	.0745	.0613	.0562	.0519	.0879	.0339	.0171	.0239	.0218	.0218	.0182	.0164
64	.02848	.01383	.0712	.1039	.0768	.0633	.0559	.0549	.0899	.0354	.0186	.0253	.0231	.0230	.0196	.0180
65	.03096	.01549	.0714	.1057	.0787	.0655	.0557	.0594	.0924	.0375	.0202	.0268	.0245	.0245	.0211	.0196
66	.03346	.01731	.0713	.1076	.0811	.0677	.0555	.0660	.0950	.0390	.0218	.0287	.0264	.0261	.0229	.0213
67	.03631	.01930	.0712	.1096	.0834	.0699	.0553	.0735	.0975	.0405	.0237	.0302	.0281	.0281	.0249	.0232
68	.03942	.02148	.0712	.1114	.0854	.0719	.0550	.0735	.0990	.0420	.0257	.0320	.0301	.0301	.0270	.0253
69	.04283	.02386	.0710	.1133	.0877	.0743	.0550	.0910	.0990	.0435	.0280	.0342	.0321	.0322	.0291	.0277
70	.04654	.02646	.0710	.1151	.0905	.0770	.0550	.0940	.0990	.0450	.0300	.0363	.0342	.0342	.0315	.0302
71	.05060	.02941		.1174	.0942	.0805		.1100	.0990	.0465			.0372	.0372	.0342	.0330
72	.05503	.03242			.0980	.0845		.0620	.0990	.0480			.0402	.0402	.0372	.0360
73	.05986	.03583				.0890			.0990	.0500					.0390	.0372
74	.06513	.03954				.0935				.0600					.0405	.0394
75	.07087	.04360				.0985				.0640					.0427	.0417
76	.07714	.04803				.1035				.0680					.0454	.0444
77	.08385	.05286				.1085				.0735					.0504	.0494
78	.09137	.05813				.1145				.0800					.0554	.0544
79	.09943	.06388				.1200				.0880					.0604	.0594
80	.10818	.07014				.1260				.0980					.0659	.0639
81	.11768	.07695				.1320				.1090					.0701	.0700
82	.12799	.08436				.1380				.1210					.0770	.0770
83	.13915	.09243				.1450				.1340					.0844	.0844
84	.15122	.10118				.1520				.1470					.0924	.0924
85	.16426	.11068				.1613				.1643					.1012	.1012
86	.17832	.12099				.1733				.1783					.1107	.1107
87	.19348	.13215				.1835				.1835					.1210	.1210
88	.20979	.14421				.2098				.2098					.1322	.1322
89	.22728	.15726				.2273				.2273					.1442	.1442
90	.24600	.17133				.2460				.2460					.1573	.1573
91	.26600	.18648				.2660				.2660					.1713	.1713
92	.28740	.20278				.2874				.2874					.1863	.1863
93	.31005	.22028				.3101				.3101					.2028	.2028
94	.33405	.23900				.3340				.3340					.2202	.2202
95	.35951	.25901				.3595				.3595					.2391	.2391
96	.38623	.28037				.3862				.3862					.2590	.2590
97	.41417	.30308				.4143				.4143					.2803	.2803
98	.44377	.32703				.4437				.4437					.3030	.3030
99	.47432	.35253				.4741				.4741					.3272	.3272
100	.50520	.37916				.5045				.5045					.3524	.3524
101	.53782	.40732				.5391				.5391					.3788	.3788
102	.57273	.43669				.5678				.5678					.4063	.4063
103	.60974	.46706				.6078				.6078					.4377	.4377
104	.64938	.49784				.6500				.6500					.4649	.4649

1 Includes rates of death and recovery.

2 Includes rates of death and remarriage, based on 150 percent American Remarriage Table

TABLE 11.—Male active service table before eligibility for service retirements

Attained age	Living				Withdrawals				Deaths				Disabilities			
	1st year	2d year	3d year	Ultimate	1st year	2d year	3d year	Ultimate	1st year	2d year	3d year	Ultimate	1st year	2d year	3d year	Ultimate
15	376,774	181,423	134,903	121,151	195,071	46,325	13,390	6,005	279	190	167	165	100	68	55	53
16	350,332	171,107	127,872	114,931	175,912	43,041	12,671	5,607	313	194	170	165	100	60	52	51
17	325,814	161,394	121,195	109,205	164,103	39,993	11,820	5,237	319	201	173	171	100	60	49	45
18	302,704	152,349	110,903	103,745	150,036	37,142	11,028	4,881	319	204	177	172	100	57	46	45
19	281,491	143,907	103,140	98,641	137,265	34,102	10,270	4,542	319	204	177	172	100	67	54	52
20	261,855	135,873	93,531	89,429	125,595	31,904	9,545	4,293	292	174	159	148	100	61	46	45
21	243,146	125,341	85,381	81,450	114,396	29,549	8,877	4,031	265	174	162	142	100	53	41	43
22	225,619	114,750	77,389	74,554	103,890	27,226	8,240	3,656	241	165	139	136	100	58	40	43
23	209,459	108,646	69,300	66,199	94,381	25,215	7,654	3,384	235	157	133	130	100	74	50	48
24	194,529	102,859	61,168	58,773	85,464	23,277	7,076	3,119	210	149	127	124	100	69	47	45
25	180,554	97,395	54,676	52,791	77,389	21,303	6,519	2,881	198	141	127	124	100	65	45	47
26	164,411	92,580	48,595	46,998	69,493	19,505	6,058	2,624	183	135	122	119	100	68	46	45
27	142,551	87,610	41,391	39,873	61,847	17,658	5,453	2,411	182	137	124	122	100	63	44	47
28	122,743	83,373	36,575	35,199	54,676	16,058	5,005	2,214	181	138	126	124	100	67	45	44
29	114,392	79,473	33,873	32,773	48,393	14,615	4,587	2,034	180	140	128	126	100	63	49	44
30	106,845	75,831	31,399	30,262	43,032	13,295	4,205	1,865	180	141	130	127	100	67	47	42
31	100,014	72,565	29,355	28,004	38,273	12,056	3,849	1,707	183	148	137	135	100	62	48	42
32	93,887	69,515	27,402	26,004	34,037	10,978	3,519	1,567	185	159	145	144	100	61	50	45
33	88,391	66,720	25,705	24,408	30,262	9,960	3,225	1,434	189	168	156	156	100	66	54	50
34	83,444	64,143	24,064	22,919	26,898	8,228	2,949	1,317	201	180	169	167	100	69	58	54
35	79,033	61,781	22,515	21,408	24,004	7,491	2,702	1,212	212	180	169	167	100	73	62	57
36	75,018	59,595	21,058	20,005	21,408	6,838	2,492	1,107	213	180	169	167	100	82	71	67
37	71,221	57,516	19,698	18,741	19,108	6,197	2,263	1,008	222	190	180	183	100	85	74	70
38	67,744	55,570	18,415	17,542	17,217	5,598	2,057	918	231	200	190	203	100	89	85	85
39	64,634	53,779	17,215	16,349	15,347	5,067	1,873	838	246	215	205	223	100	101	89	92
40	61,834	52,115	16,098	15,229	14,180	4,598	1,709	763	265	234	223	231	100	108	97	103
41	59,291	50,559	15,029	14,194	13,090	4,181	1,561	703	282	252	241	259	100	120	108	108
42	56,955	49,093	14,029	13,267	12,090	3,814	1,430	643	319	269	258	256	100	134	129	128
43	54,757	47,686	13,082	12,342	11,009	3,466	1,305	589	338	308	298	296	100	147	143	143
44	52,712	45,847	12,194	11,494	10,090	3,159	1,194	537	350	331	320	318	100	161	148	142
45	50,742	44,042	11,346	10,696	9,808	2,867	1,086	487	380	352	341	339	100	178	165	159
46	48,819	42,260	10,542	9,946	9,080	2,587	986	436	407	379	369	367	100	185	180	179
47	46,925	40,486	9,799	9,242	8,433	2,300	880	386	428	401	391	389	100	208	203	202
48	45,131	38,664	9,044	8,522	7,778	2,026	778	345	455	429	418	418	100	232	232	231
49	43,496	37,067	8,284	7,804	7,025	1,808	696	309	480	455	446	444	100	258	258	256
50	41,922	35,520	7,574	7,144	6,345	1,617	624	275	506	482	473	471	100	282	282	282
51	40,388	34,048	6,848	6,454	5,655	1,434	555	248	533	509	500	500	100	339	339	339
52	38,835	32,570	6,170	5,804	5,006	1,278	498	218	559	536	528	528	100	409	409	383
53	37,290	31,046	5,545	5,204	4,388	1,126	438	190	584	563	554	554	100	469	469	441
54	35,663	29,411	5,008	4,681	3,861	1,062	384	163	584	563	554	554	100	506	506	497
55	34,046	27,700	4,545	4,237	3,478	962	354	134	584	563	554	554	100	506	506	497

57	34,065	32,484	31,794	31,621	1,807	882	338	167	608	588	579	578	568	549	542	541
58	32,437	31,082	30,485	30,335	1,558	746	292	146	630	611	604	602	603	587	580	578
59	30,780	29,644	29,138	29,009	1,325	638	252	125	650	633	626	625	605	580	582	581
60	29,131	28,200	27,784	27,678	1,081	523	207	103	667	652	646	645	620	598	610	609
61	27,518	26,753	26,409	26,321	885	431	171	85	682	668	663	662	643	627	631	630
62	25,929	25,302	25,017	24,944	731	357	141	70	694	682	677	676	653	632	647	646
63	24,344	23,841	23,611	23,552	591	289	114	57	702	697	693	692	670	651	657	656
64	22,779	22,381	22,200	22,153	464	228	91	45	706	697	696	695	672	654	661	660
65	21,200	20,937	20,792	20,755	369	182	72	36	707	699	697	696	673	652	659	658
66	19,742	19,505	19,394	19,365	285	142	56	28	705	699	697	696	674	652	659	658
67	18,262	18,092	18,010	17,989	211	104	41	20	702	698	696	695	675	652	659	658
68	16,809	16,703	16,648	16,633	145	72	28	15	698	695	694	693	676	652	659	658
69	15,386	15,339	15,311	15,302	89	44	17	9	690	689	688	688	677	653	663	662
70				14,003						689	688	688	677	653	663	662

TABLE 12.—Female active service table before eligibility for service retirements

Attained age	Living			Withdrawals			Deaths			Disabilities		
	1st year	2d year	3d year	Ultimate	1st year	2d year	3d year	Ultimate	1st year	2d year	3d year	Ultimate
15	376,774	181,514	135,059	121,369	195,120	46,363	13,610	140	140	140	140	140
16	320,508	171,295	128,032	115,269	179,036	43,153	12,698	157	157	157	157	157
17	282,173	161,635	123,032	111,584	164,242	40,084	11,854	160	160	160	160	160
18	252,940	144,384	113,824	104,161	150,359	37,253	10,315	169	169	169	169	169
19	222,721	128,924	104,136	94,396	137,684	34,628	9,390	183	183	183	183	183
20	202,122	118,947	99,078	88,043	125,018	32,105	8,830	191	191	191	191	191
21	182,683	109,677	94,396	84,043	114,895	29,700	8,297	200	200	200	200	200
22	163,677	101,900	88,043	77,947	104,423	27,489	7,710	211	211	211	211	211
23	144,709	94,422	82,813	72,254	94,044	25,453	7,133	224	224	224	224	224
24	125,842	86,944	75,255	64,509	84,043	23,489	6,506	240	240	240	240	240
25	106,977	78,944	67,072	56,511	74,043	21,514	5,838	259	259	259	259	259
26	88,043	70,944	59,078	48,511	64,043	19,540	5,170	280	280	280	280	280
27	69,078	62,944	51,116	40,511	54,043	17,565	4,502	304	304	304	304	304
28	50,116	54,944	43,224	32,511	44,043	15,590	3,834	331	331	331	331	331
29	31,154	46,944	35,232	24,511	34,043	13,615	3,166	361	361	361	361	361
30	12,192	38,944	27,260	16,511	24,043	11,640	2,500	394	394	394	394	394
31	3,230	30,944	19,540	8,511	14,043	9,665	1,832	431	431	431	431	431
32	0	22,944	11,640	3,511	4,043	7,690	1,164	471	471	471	471	471
33	0	14,944	6,511	1,511	1,043	5,725	636	514	514	514	514	514
34	0	6,944	2,511	511	0	3,760	270	560	560	560	560	560
35	0	0	0	0	0	1,795	114	609	609	609	609	609
36	0	0	0	0	0	830	57	662	662	662	662	662
37	0	0	0	0	0	365	22	700	700	700	700	700
38	0	0	0	0	0	150	11	739	739	739	739	739
39	0	0	0	0	0	64	6	778	778	778	778	778
40	0	0	0	0	0	28	3	817	817	817	817	817
41	0	0	0	0	0	12	1	856	856	856	856	856
42	0	0	0	0	0	5	0	895	895	895	895	895
43	0	0	0	0	0	2	0	934	934	934	934	934
44	0	0	0	0	0	1	0	973	973	973	973	973
45	0	0	0	0	0	0	0	1,012	1,012	1,012	1,012	1,012
46	0	0	0	0	0	0	0	1,051	1,051	1,051	1,051	1,051
47	0	0	0	0	0	0	0	1,090	1,090	1,090	1,090	1,090
48	0	0	0	0	0	0	0	1,129	1,129	1,129	1,129	1,129
49	0	0	0	0	0	0	0	1,168	1,168	1,168	1,168	1,168
50	0	0	0	0	0	0	0	1,207	1,207	1,207	1,207	1,207
51	0	0	0	0	0	0	0	1,246	1,246	1,246	1,246	1,246
52	0	0	0	0	0	0	0	1,285	1,285	1,285	1,285	1,285
53	0	0	0	0	0	0	0	1,324	1,324	1,324	1,324	1,324
54	0	0	0	0	0	0	0	1,363	1,363	1,363	1,363	1,363
55	0	0	0	0	0	0	0	1,402	1,402	1,402	1,402	1,402

56	38,225	36,276	35,433	35,222	2,228	1,067	414	205	335	323	318	317	565	544	536	535
57	36,806	35,097	34,352	34,165	1,960	984	366	181	352	340	335	334	617	596	588	587
58	35,854	33,877	33,227	32,063	1,707	818	321	160	372	361	357	356	662	642	635	633
59	33,864	32,613	32,066	31,914	1,467	706	278	138	393	383	379	378	663	651	644	643
60	32,370	31,336	30,873	30,755	1,207	585	231	114	415	405	401	401	704	688	681	680
61	30,904	30,044	29,693	29,560	1,001	486	193	95	435	427	423	423	733	719	713	713
62	29,448	28,735	28,412	28,329	836	408	162	81	453	445	442	441	757	744	739	738
63	27,980	27,402	27,138	27,099	683	385	133	65	469	462	459	458	775	764	759	759
64	26,516	26,053	25,841	25,787	543	267	106	54	483	477	475	474	788	774	774	773
65	25,071	24,702	24,531	24,456	440	217	86	42	496	491	489	489	794	786	782	782
66	23,624	23,341	23,208	23,173	344	170	68	34	507	503	501	501	795	789	786	785
67	22,185	21,978	21,879	21,853	258	129	51	26	524	520	519	519	796	789	786	784
68	20,742	20,612	20,543	20,525	181	90	35	18	543	541	539	539	797	789	786	783
69	19,297	19,239	19,204	19,193	112	66	21	10	562	561	561	561	798	777	776	775
70				17,860									799	763	762	762

TABLE 13.—Active-service table after eligibility for service retirement

Attained age	Male			Female		
	Living	Retire- ments	Deaths	Living	Retire- ments	Deaths
55.....	34,046	2,027	515	36,224	6,673	273
56.....	31,504	1,093	526	29,278	2,595	255
57.....	29,885	977	544	26,458	1,843	253
58.....	28,364	1,068	559	24,362	1,938	255
59.....	26,737	1,243	569	22,169	2,094	253
60.....	24,925	4,064	540	19,822	5,218	227
61.....	20,321	3,209	477	14,377	2,641	189
62.....	16,635	2,133	428	11,547	1,489	171
63.....	14,074	1,663	392	9,887	1,372	158
64.....	12,019	1,479	358	8,357	1,253	144
65.....	10,182	1,301	325	6,930	1,093	129
66.....	8,556	1,176	291	5,703	931	115
67.....	7,089	1,043	258	4,657	782	103
68.....	5,788	906	220	3,772	670	92
69.....	4,656	911	192	3,010	593	81
70.....	3,553	3,553	-----	2,336	2,336	-----

TABLE 14.—Salary scale

Age	Male	Female	Age	Male	Female	Age	Male	Female
15.....	1.000	1.000	34.....	1.888	1.278	53.....	2.131	1.354
16.....	1.081	1.025	35.....	1.910	1.285	54.....	2.137	1.356
17.....	1.156	1.049	36.....	1.930	1.292	55.....	2.142	1.358
18.....	1.226	1.071	37.....	1.950	1.298	56.....	2.148	1.360
19.....	1.292	1.091	38.....	1.968	1.303	57.....	2.153	1.361
20.....	1.353	1.111	39.....	1.984	1.308	58.....	2.157	1.363
21.....	1.410	1.129	40.....	2.000	1.313	59.....	2.161	1.364
22.....	1.464	1.145	41.....	2.015	1.318	60.....	2.165	1.365
23.....	1.513	1.161	42.....	2.028	1.322	61.....	2.169	1.366
24.....	1.561	1.176	43.....	2.041	1.326	62.....	2.173	1.368
25.....	1.604	1.189	44.....	2.053	1.330	63.....	2.176	1.369
26.....	1.645	1.202	45.....	2.064	1.334	64.....	2.179	1.369
27.....	1.683	1.214	46.....	2.075	1.337	65.....	2.182	1.370
28.....	1.719	1.225	47.....	2.084	1.340	66.....	2.184	1.371
29.....	1.752	1.236	48.....	2.093	1.343	67.....	2.187	1.372
30.....	1.783	1.245	49.....	2.102	1.345	68.....	2.189	1.373
31.....	1.812	1.254	50.....	2.110	1.348	69.....	2.192	1.373
32.....	1.839	1.263	51.....	2.117	1.350	70.....	2.194	1.374
33.....	1.864	1.271	52.....	2.124	1.352			

TABLE 15.—Single life annuity values for annuitants and beneficiaries at 3 percent interest

Attained age	Service annuities		Disability annuities				Survivor annuities—widows					
	Male	Female	Male		Female		1st year	2d year	3d year	4th year	5th year	Ultimate
			1st year	2d year	3d year	Ultimate						
20	24 325	26 708	8 321	8 568	8 804	9 187	9 499	9 783	10 052	10 325	10 598	10 871
21	24 136	26 609	8 380	8 627	8 863	9 246	9 558	9 842	10 111	10 384	10 657	10 930
22	23 941	26 521	8 441	8 688	8 924	9 307	9 619	9 903	10 172	10 445	10 718	10 991
23	23 741	26 430	8 501	8 748	8 984	9 367	9 679	9 963	10 232	10 505	10 778	11 051
24	23 535	26 336	8 561	8 808	9 044	9 427	9 739	10 023	10 292	10 565	10 838	11 111
25	23 323	26 241	8 621	8 868	9 104	9 487	9 800	10 084	10 353	10 626	10 899	11 172
26	23 105	26 145	8 681	8 928	9 164	9 547	9 860	10 144	10 413	10 686	10 959	11 233
27	22 882	26 049	8 741	8 988	9 224	9 607	9 920	10 204	10 473	10 746	11 019	11 292
28	22 653	25 953	8 801	9 048	9 284	9 667	9 980	10 264	10 533	10 806	11 079	11 352
29	22 417	25 857	8 861	9 108	9 344	9 727	10 040	10 324	10 593	10 866	11 140	11 413
30	22 176	25 761	8 921	9 168	9 404	9 787	10 100	10 384	10 653	10 926	11 201	11 474
31	21 929	25 665	8 981	9 228	9 464	9 847	10 160	10 444	10 713	10 986	11 262	11 535
32	21 675	25 569	9 041	9 288	9 524	9 907	10 220	10 504	10 773	11 046	11 319	11 592
33	21 415	25 473	9 101	9 348	9 584	9 967	10 280	10 564	10 833	11 106	11 379	11 655
34	21 148	25 377	9 161	9 408	9 644	10 027	10 340	10 624	10 893	11 169	11 442	11 718
35	20 876	25 281	9 221	9 468	9 704	10 087	10 400	10 684	10 953	11 232	11 505	11 781
36	20 597	25 185	9 281	9 528	9 764	10 147	10 460	10 744	11 013	11 286	11 559	11 838
37	20 311	25 089	9 341	9 588	9 824	10 207	10 520	10 804	11 077	11 350	11 623	11 902
38	20 019	24 993	9 401	9 648	9 884	10 267	10 580	10 864	11 137	11 410	11 683	11 962
39	19 721	24 897	9 461	9 708	9 944	10 327	10 640	10 924	11 200	11 473	11 746	12 025
40	19 417	24 801	9 521	9 768	10 004	10 387	10 700	10 984	11 260	11 533	11 806	12 085
41	19 107	24 705	9 581	9 828	10 064	10 447	10 760	11 044	11 323	11 596	11 869	12 145
42	18 790	24 609	9 641	9 888	10 124	10 507	10 820	11 104	11 383	11 656	11 929	12 205
43	18 468	24 513	9 701	9 948	10 184	10 567	10 880	11 164	11 443	11 716	11 989	12 265
44	18 139	24 417	9 761	10 008	10 244	10 627	10 940	11 224	11 503	11 776	12 049	12 325
45	17 803	24 321	9 821	10 068	10 304	10 687	11 000	11 284	11 563	11 836	12 109	12 385
46	17 465	24 225	9 881	10 128	10 364	10 747	11 060	11 344	11 623	11 896	12 169	12 445
47	17 119	24 129	9 941	10 188	10 424	10 807	11 120	11 404	11 687	11 960	12 229	12 505
48	16 769	24 033	10 001	10 248	10 484	10 867	11 180	11 464	11 747	12 023	12 289	12 565
49	16 413	23 937	10 061	10 308	10 544	10 927	11 240	11 524	11 807	12 083	12 356	12 629
50	16 053	23 841	10 121	10 368	10 604	10 987	11 300	11 584	11 867	12 143	12 416	12 689
51	15 688	23 745	10 181	10 428	10 664	11 047	11 360	11 644	11 927	12 203	12 476	12 750
52	15 323	23 649	10 241	10 488	10 724	11 107	11 420	11 704	11 987	12 263	12 536	12 813
53	14 958	23 553	10 301	10 548	10 784	11 167	11 480	11 764	12 047	12 320	12 593	12 876
54	14 584	23 457	10 361	10 608	10 844	11 227	11 540	11 824	12 107	12 380	12 653	12 939
55	14 209	23 361	10 421	10 668	10 904	11 287	11 600	11 884	12 167	12 440	12 713	13 000
56	13 826	23 265	10 481	10 728	10 964	11 347	11 660	11 944	12 227	12 500	12 773	13 060
57	13 441	23 169	10 541	10 788	11 024	11 407	11 720	12 004	12 287	12 560	12 833	13 120
58	13 056	23 073	10 601	10 848	11 084	11 467	11 780	12 064	12 347	12 620	12 893	13 180
59	12 671	22 977	10 661	10 908	11 144	11 527	11 840	12 124	12 407	12 680	12 953	13 240
60	12 286	22 881	10 721	10 968	11 204	11 587	11 900	12 184	12 467	12 740	13 013	13 300
61	11 897	22 785	10 781	11 028	11 264	11 647	11 960	12 248	12 531	12 804	13 077	13 364
62	11 473	22 689	10 841	11 088	11 324	11 707	12 020	12 304	12 587	12 860	13 133	13 420

TABLE 15.—Single life annuity values for annuitants and beneficiaries at 3 percent interest—Continued

Attained age	Service annuities		Disability annuities				Survivor annuities—widows					
	Male	Female	Male		Female		1st year	2d year	3d year	4th year	5th year	Ultimate
			1st year	2d year	3d year	Ultimate						
63	11.089	13.540	7.792	8.185	8.324	8.630	10.114	10.875	10.919	12.892	12.879	13.104
64	10.701	13.068	7.611	7.991	8.116	8.424	9.799	10.561	10.607	12.493	12.479	12.698
65	10.315	12.633	7.428	7.794	7.900	8.208	9.465	10.243	10.294	12.100	12.087	12.295
66	9.931	12.220	7.246	7.595	7.688	7.977	9.296	9.921	9.980	11.714	11.694	11.892
67	9.551	11.784	7.061	7.394	7.474	7.751	8.971	9.583	9.651	11.416	11.400	11.593
68	9.173	11.351	6.870	7.191	7.256	7.524	8.736	9.293	9.364	11.021	11.009	11.197
69	8.800	10.922	6.677	6.982	7.031	7.298	8.499	9.006	9.079	10.628	10.612	10.798
70	8.432	10.497	6.484	6.772	6.799	7.055	8.299	8.759	8.830	10.236	10.220	10.399
71	8.069	10.077		6.561	6.573	6.823	7.742	8.161	8.239	9.545	9.529	9.701
72	7.711	9.662				6.573		7.944	8.015	9.313	9.297	9.464
73	7.360	9.253				6.344		7.734	7.794			8.752
74	7.016	8.851				6.111		7.521	7.579			8.379
75	6.679	8.455				5.879		7.309	7.364			8.014
76	6.350	8.068				5.648		7.096	7.149			7.654
77	6.029	7.688				5.418		6.883	6.934			7.297
78	5.716	7.317				5.188		6.668	6.717			6.940
79	5.413	6.955				4.958		6.453	6.499			6.682
80	5.119	6.602				4.728		6.238	6.282			6.464
81	4.835	6.259				4.498		6.023	6.065			6.246
82	4.560	5.927				4.268		5.808	5.848			6.028
83	4.296	5.605				4.038		5.593	5.631			5.810
84	4.042	5.293				3.808		5.378	5.414			5.592
85	3.798	4.992				3.578		5.163	5.197			5.374
86	3.565	4.703				3.348		4.948	4.980			5.156
87	3.342	4.425				3.118		4.733	4.763			4.938
88	3.129	4.158				2.888		4.518	4.546			4.720
89	2.927	3.903				2.658		4.303	4.329			4.502
90	2.735	3.659				2.428		4.088	4.112			4.284
91	2.553	3.427				2.198		3.873	3.895			4.066
92	2.382	3.206				1.968		3.658	3.678			3.848
93	2.219	2.996				1.738		3.443	3.461			3.629
94	2.067	2.797				1.508		3.228	3.244			3.410
95	1.924	2.608				1.278		3.013	3.027			3.191
96	1.790	2.431				1.048		2.798	2.810			2.969
97	1.661	2.264				0.818		2.583	2.593			2.753
98	1.547	2.107				0.588		2.368	2.376			2.526
99	1.438	1.957				0.358		2.153	2.159			2.306
100	1.338	1.821				0.128		1.938	1.942			2.086
101	1.239	1.687						1.723	1.725			1.871
102	1.156	1.566						1.508	1.509			1.653
103	1.053	1.462						1.293	1.293			1.438
104	.966	1.375						1.078	1.078			1.253

SUMMARY OF TABULATIONS OF ANNUITANTS' DATA

The following tables give for men and women separately the number of annuitants and their annuities as of June 30, 1954, distributed by age as used as a basis for the valuation. The amounts of the annuities include the increases to members retired prior to July 16, 1952, which were made permanent through the passage of Public Law 747, 83d Congress.

TABLE 16.—The number and regular monthly annuities of annuitants on the roll, classified by sex and age, as of June 30, 1954—Retired on account of age and voluntary and involuntary separations

Age	Men		Women		Age	Men		Women	
	Number	Monthly annuities	Number	Monthly annuities		Number	Monthly annuities	Number	Monthly annuities
41.....	2	\$89			72.....	7,079	\$968,642	1,299	\$137,421
42.....	1	45			73.....	6,097	834,155	1,120	119,821
43.....	2	141			74.....	5,743	754,039	1,017	106,383
44.....	4	335	2	\$106	75.....	5,101	660,569	946	98,348
45.....	11	943	3	163	76.....	4,437	567,294	797	84,494
46.....	25	1,973	3	213	77.....	3,782	480,728	671	71,126
47.....	20	2,436	7	692	78.....	3,608	456,396	616	66,290
48.....	31	2,461	10	930	79.....	2,976	378,956	504	52,500
49.....	35	3,682	11	1,007	80.....	2,467	312,671	444	46,770
50.....	51	4,749	17	1,765	81.....	1,975	252,452	338	36,997
51.....	65	9,953	13	1,321	82.....	1,764	219,537	308	31,878
52.....	122	17,254	27	2,811	83.....	1,350	170,185	208	21,471
53.....	141	17,720	38	4,225	84.....	1,131	144,759	208	21,584
54.....	167	23,978	63	7,855	85.....	884	113,706	162	16,437
55.....	254	33,001	99	12,844	86.....	686	90,863	122	12,848
56.....	687	87,139	239	31,635	87.....	532	70,095	92	9,030
57.....	853	111,303	286	38,576	88.....	360	45,513	83	8,165
58.....	1,180	159,020	289	38,956	89.....	266	32,692	46	4,377
59.....	1,407	185,854	382	53,237	90.....	185	23,672	41	4,101
60.....	1,784	250,495	415	56,183	91.....	147	19,316	25	2,277
61.....	2,578	392,743	500	84,465	92.....	103	13,381	20	1,975
62.....	3,945	530,838	805	98,565	93.....	56	7,335	17	1,600
63.....	5,658	991,863	1,267	124,090	94.....	37	4,607	4	233
64.....	6,302	754,029	1,378	131,039	95.....	34	4,430	7	719
65.....	6,794	826,368	1,538	151,850	96.....	19	2,423	4	288
66.....	7,847	926,442	1,624	161,308	97.....	6	681	2	292
67.....	7,331	882,056	1,475	144,224	98.....	3	357	2	185
68.....	7,264	893,999	1,490	151,009	99.....	3	344	2	205
69.....	6,359	809,680	1,382	138,398					
70.....	7,199	970,650	1,450	149,627	Total..	126,460	16,272,890	25,503	2,701,224
71.....	7,510	1,054,753	1,500	156,285					

CIVIL-SERVICE RETIREMENT AND DISABILITY FUND

TABLE 17.—The number and voluntary monthly annuities of annuitants on the roll, classified by sex and age, as of June 30, 1954—Retired on account of age and voluntary and involuntary separations.

Age	Men		Women		Age	Men		Women	
	Number	Monthly annuities	Number	Monthly annuities		Number	Monthly annuities	Number	Monthly annuities
47			1	\$1	70	165	\$4,300	57	\$953
49	1	\$6			71	158	4,026	60	947
51	2	66	1	18	72	128	2,961	39	674
52	1	63	1	1	73	126	3,365	39	576
53			3	63	74	101	2,180	27	436
54			2	98	75	79	2,109	28	397
55	4	55	2	46	76	58	1,348	21	212
56	10	263	4	89	77	45	1,303	16	204
57	12	237	11	171	78	49	1,061	15	198
58	21	514	13	276	79	38	1,060	10	103
59	23	784	12	238	80	24	607	8	82
60	32	827	20	370	81	26	649	6	76
61	51	1,425	25	531	82	7	127	3	83
62	55	1,407	21	370	83	10	360	6	85
63	100	2,513	50	739	84	6	338	1	25
64	120	2,868	51	892	85	2	84		
65	143	3,503	63	1,032	86	1	8		
66	140	3,305	65	1,090	87	4	266		
67	156	3,990	40	703	92	2	105		
68	155	3,555	63	1,141					
69	142	3,311	61	877					
					Total	2,197	54,989	844	13,852

TABLE 18.—The number and regular monthly annuities of annuitants on the roll, classified by sex and age, as of June 30, 1954—Retired on account of disability

Age	Men		Women		Age	Men		Women	
	Number	Monthly annuities	Number	Monthly annuities		Number	Monthly annuities	Number	Monthly annuities
24	1	\$13			62	2,689	\$263,551	633	\$57,146
25	2	33			63	2,127	207,822	530	46,261
26	3	80	3	\$75	64	1,873	178,364	436	39,703
27	19	628	10	262	65	1,758	164,873	449	42,964
28	25	706	4	127	66	1,652	155,208	386	34,960
29	36	1,029	12	381	67	1,259	119,224	335	30,983
30	42	1,385	15	427	68	1,086	103,653	321	29,399
31	76	2,060	24	827	69	832	85,060	331	30,095
32	81	2,776	32	1,124	70	767	75,215	250	22,918
33	87	3,476	35	1,331	71	612	60,745	212	18,910
34	88	3,439	29	1,150	72	631	61,441	216	19,842
35	109	4,301	23	912	73	502	50,982	182	16,847
36	140	6,570	34	1,376	74	520	52,427	189	16,302
37	150	6,786	40	1,753	75	469	49,681	182	17,282
38	164	7,476	45	1,901	76	436	46,676	141	13,321
39	194	9,497	49	2,224	77	386	40,596	123	11,833
40	224	11,464	52	2,480	78	339	35,957	124	11,934
41	221	10,898	75	3,527	79	277	28,826	93	9,347
42	247	12,847	73	3,793	80	207	21,427	83	8,203
43	273	16,215	84	4,209	81	142	15,308	90	8,868
44	312	19,107	83	4,514	82	155	16,468	56	5,555
45	358	23,506	126	7,391	83	103	11,080	54	5,839
46	395	26,942	168	9,452	84	78	8,671	47	4,710
47	438	31,523	162	9,620	85	51	5,282	18	2,048
48	413	31,319	180	11,978	86	34	3,867	17	1,890
49	518	40,314	194	13,259	87	34	3,257	8	830
50	571	43,770	235	16,570	88	24	2,963	8	742
51	572	50,046	258	18,983	89	17	1,832	4	534
52	753	60,377	340	26,677	90	12	1,474		
53	836	80,093	321	26,542	91	9	723	2	206
54	1,145	111,083	492	42,191	92	3	356	1	100
55	1,243	124,585	516	49,512	93	4	452	5	461
56	1,739	179,674	614	59,691	94	1	62		
57	2,022	209,950	558	54,762	95				
58	2,698	274,052	679	65,599	96			2	122
59	2,856	290,170	649	63,134	97	1	58		
60	2,874	298,544	617	59,595					
61	2,792	285,480	591	55,503					
					Total	43,813	4,171,344	12,929	1,132,087

TABLE 19.—The number and voluntary monthly annuities of annuitants on the roll, classified by sex and age, as of June 30, 1954—Retired on account of disability

Age	Men		Women		Age	Men		Women	
	Num-ber	Monthly annuities	Num-ber	Monthly annuities		Num-ber	Monthly annuities	Num-ber	Monthly annuities
36.....	1	\$2			63.....	31	\$425	10	\$65
39.....	2	12			64.....	18	262	4	32
40.....	1	1			65.....	20	257	12	88
41.....			1	\$1	66.....	15	168	5	43
42.....	1	14			67.....	15	177	5	59
44.....	3	26			68.....	11	47	6	60
46.....	4	44			69.....	9	71	5	45
47.....	2	22	2	9	70.....	8	118	2	59
48.....	1	4	1		71.....	8	82	3	11
49.....	7	51			72.....	7	161	1	31
50.....	6	43	3	18	73.....	4	87	7	103
51.....	4	43	2	56	74.....	2	12	4	30
52.....	4	51	3	33	75.....	2	38	2	10
53.....	4	30	3	13	76.....	3	37	3	40
54.....	6	67	1	3	77.....	4	38	1	4
55.....	12	216	5	47	78.....	3	152		
56.....	10	123	9	63	79.....	2	16		
57.....	12	221	6	62	80.....	3	70		
58.....	23	342	12	173	81.....	1	5	1	10
59.....	33	433	9	116	84.....			1	5
60.....	21	326	16	220					
61.....	22	395	7	92	Total.	383	5,772	170	1,867
62.....	38	1,028	18	266					

TABLE 20.—The number and monthly annuities of survivor annuitants on the roll, classified by age, as of June 30, 1964—Survivors of deceased employees

CHILDREN

Age	Number	Monthly annuities	Age	Number	Monthly annuities
Under 6 months.....	18	\$227	27 years.....	14	\$432
1 year.....	75	915	28 years.....	12	239
2 years.....	172	2,163	29 years.....	17	427
3 years.....	246	3,376	30 years.....	13	337
4 years.....	353	4,844	31 years.....	14	235
5 years.....	415	5,995	32 years.....	17	453
6 years.....	556	8,216	33 years.....	12	307
7 years.....	675	10,560	34 years.....	12	273
8 years.....	710	11,615	35 years.....	6	186
9 years.....	710	11,837	36 years.....	8	234
10 years.....	754	12,663	37 years.....	7	156
11 years.....	843	14,782	38 years.....	14	317
12 years.....	878	15,768	39 years.....	6	166
13 years.....	824	15,420	40 years.....	4	131
14 years.....	907	17,383	41 years.....	7	118
15 years.....	974	19,890	42 years.....	4	113
16 years.....	1,033	21,085	43 years.....	2	55
17 years.....	1,145	23,534	44 years.....	4	161
18 years.....	469	10,297	45 years.....	1	24
19 years.....	22	584	46 years.....	2	41
20 years.....	13	272	47 years.....	1	30
21 years.....	12	273	48 years.....	1	24
22 years.....	8	202	49 years.....	1	21
23 years.....	13	339	50 years.....	1	40
24 years.....	16	326			
25 years.....	12	306			
26 years.....	12	249			
			Total.....	12,044	217,641

TABLE 20.—The number and monthly annuities of survivor annuitants on the roll, classified by age, as of June 30, 1954—Survivors of deceased employees—Con.

WIDOWS

Age	Number	Monthly annuities	Age	Number	Monthly annuities
20 years.....	1	\$25	56 years.....	1,151	\$63,492
21 years.....	4	75	57 years.....	958	53,323
22 years.....	8	149	58 years.....	980	57,648
23 years.....	4	74	59 years.....	953	53,435
24 years.....	10	197	60 years.....	892	54,453
25 years.....	11	195	61 years.....	852	49,666
26 years.....	18	328	62 years.....	771	47,853
27 years.....	34	796	63 years.....	680	40,379
28 years.....	34	808	64 years.....	622	38,740
29 years.....	51	1,188	65 years.....	588	36,292
30 years.....	60	1,322	66 years.....	509	31,776
31 years.....	74	1,721	67 years.....	343	21,588
32 years.....	85	2,071	68 years.....	350	21,859
33 years.....	102	2,738	69 years.....	290	18,353
34 years.....	113	3,243	70 years.....	254	15,085
35 years.....	120	3,762	71 years.....	196	11,503
36 years.....	144	4,453	72 years.....	137	6,875
37 years.....	141	4,274	73 years.....	117	6,934
38 years.....	177	6,086	74 years.....	106	6,221
39 years.....	223	7,698	75 years.....	70	3,239
40 years.....	238	8,753	76 years.....	57	2,486
41 years.....	250	9,746	77 years.....	33	1,714
42 years.....	277	11,303	78 years.....	23	779
43 years.....	292	12,065	79 years.....	14	501
44 years.....	297	13,056	80 years.....	15	890
45 years.....	306	14,317	81 years.....	9	271
46 years.....	302	13,766	82 years.....	6	167
47 years.....	341	16,060	83 years.....	2	31
48 years.....	321	16,555	84 years.....	2	87
49 years.....	312	15,201	85 years.....	5	222
50 years.....	496	24,795	86 years.....	1	220
51 years.....	737	37,782	87 years.....	1	15
52 years.....	795	40,049	88 years.....	1	28
53 years.....	895	46,967			
54 years.....	1,071	57,956	Total.....	20,308	1,080,672
55 years.....	975	54,105			

TABLE 21.—The number and monthly annuities of survivor annuitants on the roll, classified by age, as of June 30, 1954—Survivors of deceased annuitants¹

CHILDREN

Age	Number	Monthly annuities	Age	Number	Monthly annuities
1.....	2	\$26	27.....	4	\$126
2.....	13	148	28.....	6	125
3.....	17	272	29.....	2	69
4.....	34	578	30.....	4	96
5.....	35	647	31.....	2	73
6.....	63	1,055	32.....	4	130
7.....	78	1,391	33.....	7	215
8.....	97	1,732	34.....	1	38
9.....	101	1,832	35.....	2	69
10.....	94	1,821	36.....	4	108
11.....	107	2,154	37.....	2	38
12.....	129	2,610	38.....	4	123
13.....	137	2,773	39.....	3	65
14.....	141	2,662	40.....	5	138
15.....	136	2,851	41.....	4	130
16.....	201	4,449	42.....	2	30
17.....	211	4,788	43.....	2	56
18.....	89	2,072	44.....	2	32
19.....	4	84	45.....	2	80
20.....	6	176	46.....	1	30
21.....	1	13	47.....	1	17
22.....	6	191	48.....	1	50
23.....	4	77	49.....	1	20
24.....	4	73			
25.....	1	21	Total.....	1,779	36,447
26.....	2	76			

¹ Includes voluntary annuities continued to survivors.

TABLE 21.—The number and monthly annuities of survivor annuitants on the roll, classified by age, as of June 30, 1954—Survivors of deceased annuitants¹—Con.

WIDOWS' ANNUITIES TERMINABLE ON DEATH OR REMARRIAGE

Age	Number	Monthly annuities	Age	Number	Monthly annuities
23	1	\$32	56	250	\$17,406
26	1	21	57	222	15,147
27	1	51	58	243	17,167
28	4	86	59	271	19,826
29	3	104	60	266	19,927
30	8	193	61	287	21,444
31	4	106	62	301	22,578
32	4	85	63	273	21,472
33	5	134	64	266	20,886
34	5	362	65	282	23,117
35	7	248	66	274	22,047
36	10	735	67	233	20,536
37	18	605	68	221	18,440
38	28	1,274	69	206	18,335
39	18	1,090	70	201	16,106
40	31	1,338	71	158	14,413
41	28	1,262	72	143	11,278
42	35	1,405	73	112	9,067
43	30	1,011	74	81	5,945
44	45	2,132	75	63	5,190
45	39	1,986	76	35	2,296
46	45	2,354	77	30	2,356
47	48	2,281	78	24	1,644
48	43	2,200	79	14	974
49	60	2,932	80	13	786
50	77	4,467	81	10	868
51	126	7,811	82	1	34
52	148	8,836	83	3	131
53	136	8,273	84	2	112
54	223	14,255			
55	194	12,204			
Total				5,923	428,937

WIDOWS' ANNUITIES TERMINABLE ON DEATH ONLY

25	1	\$45	64	725	\$29,084
27	2	25	65	693	29,608
28	1	13	66	794	34,365
29	2	72	67	740	32,317
31	2	21	68	830	38,144
32	6	117	69	816	37,208
33	3	52	70	964	44,726
34	6	162	71	838	39,225
35	7	195	72	849	38,855
36	10	220	73	779	35,894
37	14	346	74	856	40,126
38	21	613	75	755	36,190
39	23	588	76	728	34,676
40	28	939	77	678	32,650
41	34	1,065	78	625	29,848
42	49	1,364	79	514	24,143
43	48	1,080	80	445	20,812
44	58	1,744	81	368	18,012
45	74	2,591	82	332	15,534
46	87	3,296	83	251	12,212
47	92	3,084	84	195	9,021
48	89	2,821	85	131	5,847
49	130	4,319	86	105	4,793
50	143	5,097	87	74	3,548
51	189	6,869	88	55	2,520
52	189	6,351	89	37	1,605
53	205	7,312	90	21	800
54	304	10,592	91	14	730
55	267	10,222	92	13	609
56	322	11,485	93	4	177
57	342	12,558	94	3	117
58	392	14,426	95	1	59
59	444	16,810	96	1	26
60	445	17,655	103	1	25
61	500	19,366			
62	578	23,424			
63	580	24,683			
Total				19,022	866,627

¹ Includes voluntary annuities continued to survivors.

TABLE 21.—The number and monthly annuities of survivor annuitants on the roll, classified by age, as of June 30, 1954—Survivors of deceased annuitants¹—Con.

ALL OTHERS

Age	Men		Women		Age	Men		Women	
	Num-ber	Monthly annuities	Num-ber	Monthly annuities		Num-ber	Monthly annuities	Num-ber	Monthly annuities
11			1	\$24	62	20	\$578	6	\$251
19	1	\$38			63	10	289	4	194
22	1	54			64	13	380		
24	1	4			65	16	477	2	30
25	1	3			66	14	407	1	118
30	1	14			67	11	325	4	421
31			1	64	68	14	528	3	95
32			1	29	69	11	313		
34			2	37	70	16	459		
36			2	38	71	17	416	3	357
37	1	18			72	12	346	5	461
38	2	16			73	18	539	5	295
39	1	40	1	8	74	22	801	3	127
40	1	9			75	19	729	1	49
41	1	37	2	68	76	13	511		
42	2	34	2	46	77	16	505	2	148
43	3	51	2	59	78	17	559	1	103
44	2	265	2	137	79	15	472		
45	3	65	2	5	80	11	330	1	40
46	4	77	1	23	81	9	336		
47	4	240			82	9	197		
48	4	111	3	245	83	13	405	1	111
49	3	98	1	23	84	11	264		
50	4	94	2	64	85	7	211		
51	7	233	1	12	86	5	250		
52	1	47			87	3	88	1	16
53	14	367	1	60	88	1	25		
54	6	228	1	7	89	1	12		
55	6	105			91	1	44		
56	9	256	3	140	92	1	56		
57	8	272	4	155	93	1	33		
58	12	407	1	7	95	2	57		
59	18	608	2	136	102	2	18		
60	17	491	2	44					
61	20	755	5	263					
Total					Total	509	16,057	88	4,510

¹ Includes voluntary annuities continued to survivors.

REPORT ON AUDIT FINDINGS
RELATING TO
CIVIL SERVICE RETIREMENT AND DISABILITY FUND
UNITED STATES CIVIL SERVICE COMMISSION
FOR FISCAL YEARS 1954 AND 1955
BY
THE COMPTROLLER GENERAL OF THE UNITED STATES

LETTER OF SUBMITTAL

GENERAL ACCOUNTING OFFICE,
COMPTROLLER GENERAL OF THE UNITED STATES,
Washington 25, January 27, 1956.

Hon. SAM RAYBURN,
Speaker of the House of Representatives.

DEAR MR. SPEAKER: Herewith is a copy of our report on audit findings relating to CIVIL SERVICE RETIREMENT AND DISABILITY FUND, United States Civil Service Commission, for fiscal years 1954 and 1955.

This is the first report prepared in the General Accounting Office to summarize for the information and use of the Congress and its committees the more important findings resulting from our audit of the Fund. The report contains recommendations to the Congress that the Retirement Act be amended to remedy certain inequities which we have observed in the administration of the Fund.

A copy of this report is being sent today to the President of the Senate.

Sincerely yours,

JOSEPH CAMPBELL,
Comptroller General of the United States.

Enclosure.

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**REPORT ON AUDIT FINDINGS RELATING TO CIVIL SERVICE
RETIREMENT AND DISABILITY FUND UNITED STATES
CIVIL SERVICE COMMISSION FOR FISCAL YEARS 1954-55**

INTRODUCTION

For a number of years the Division of Audits, General Accounting Office, has been making an audit of disbursement transactions of the Civil Service Retirement and Disability Fund as administered by the United States Civil Service Commission. The audit has been made pursuant to the Budget and Accounting Act, 1921 (31 U. S. C. 53), and the Accounting and Auditing Act of 1950 (31 U. S. C. 67) and has consisted mainly of a selective examination of benefit and refund payments to determine whether they were made to eligible recipients in accordance with the requirements of applicable statutes, administrative regulations, and decisions of the Comptroller General. The audit also included a review of administrative regulations, policies, and procedures as to adequacy and compliance with applicable laws.

This is our first formal report on the audit of the Fund and it is based on our examination of transactions principally for the fiscal years 1954 and 1955. Of particular significance in this report are the comments and related recommendations covering certain inequities which we have observed in the administration of the Fund under the law. During our audit we also noted a number of procedural deficiencies which were reported to officials of the Civil Service Commission for corrective action.

GENERAL COMMENTS

The Civil Service Retirement and Disability Fund was created August 1, 1920, by the act of May 22, 1920 (41 Stat. 614), for the purpose of furnishing retirement benefits to employees who became superannuated or incapacitated in the civil service of the United States.

Since September 1, 1934, the over all administration of the Fund has been the responsibility of the United States Civil Service Commission, pursuant to Executive Orders 6670 and 6731. The Commission also administers other retirement systems for the payment of annuities to (1) certain civilian officials and employees, citizens of the United States, who were employed for three or more years in or about the construction of the Panama Canal during the period May 4, 1904, to March 31, 1914, or their undivorced widows, and (2) widows of certain Lighthouse Service employees.

While the United States Civil Service Commission has the overall responsibility for administering the Fund, related responsibilities are imposed upon the various employing agencies, the Secretary of the Treasury, and an independent Board of Actuaries.

The Commission maintains the records for separated employees, and provides a counseling service for them or their survivors.

The employing agencies maintain the records pertaining to the employees' current employment and provide active employees with an advisory and counseling service.

The Secretary of the Treasury is responsible for investing in interest-bearing securities of the United States such portions of the Fund as are not immediately required for annuities, refunds, and allowances.

The Board of Actuaries, an independent body with organizational headquarters in New York City, is composed of two professional actuaries retained by the Civil Service Commission on a contractual basis and the Government actuary (a Treasury Department employee). The Board is responsible for evaluating the Fund, reporting on actuarial operations, and recommending changes to the Civil Service Commission as are deemed necessary to protect the public interest and to maintain the system on a sound financial basis.

SUMMARY OF FINDINGS AND RECOMMENDATIONS

INEQUITIES IN THE CIVIL SERVICE RETIREMENT SYSTEM

The Civil Service Retirement Act permits employees to receive credit for periods of service during which no contributions are made by the employees to the Fund. As a result, substantial annuities have been awarded to former employees with as little as 1 month of coverage under the act. This situation was remedied to a great extent by the enactment of Public Law 730 (68 Stat. 1004), August 31, 1954, which provides that title to annuity should not arise from any separation unless there has been 1 year of creditable civilian service within the 2-year period immediately preceding such separation. During our audit we noted the following types of inequities:

1. *Allowance of service credit for excessive periods of leave without pay*

Continuing an employee in a leave-without-pay status enables him to receive substantial monetary benefits under the Retirement Act without the usual contributions to the Fund. Because of the unearned benefits accruing, we are recommending to the Congress that the Retirement Act be amended to provide that the amount of leave without pay for which an individual may receive credit for retirement purposes be limited to 30 calendar days in any period of leave without pay.

2. *Advantage to person transferring from another Government retirement system*

Under existing law an employee may transfer from a position covered by another Government retirement system, withdraw all contributions therefrom, and transfer to a position covered by the Civil Service Retirement Act. He may then be allowed service credit under the Civil Service Retirement Act for the service rendered under the first retirement system without refund of his withdrawn contributions, but a deduction will be made from his annuity equivalent to 10 percent of the amount which he would have contributed to the Fund had he been covered by the act during this period. However, another employee who renders all his service in positions covered by the act and who receives a refund upon separation must

redeposit such refund with interest before retirement after reentry into Government service in order to receive credit for prior service.

We are recommending to the Congress that the Retirement Act be amended to preclude credit for any period of service for which a refund has been received from any Government retirement system, until there has been deposited to the Civil Service Retirement Fund a sum equal to the refund plus interest.

3. *Credit for military service in excess of that on which military retired pay is based*

As a result of a Court of Claims decision an applicant was allowed credit toward a civil service annuity for excess military service beyond that necessary to establish an annuity under the military retirement system. The Commission has since sent nine similar cases to its Board of Appeals with the recommendation that the claims be denied.

Some measure of control over such cases is provided by the act of August 31, 1954 (68 Stat. 1004), if the separation from military service occurred after August 31, 1954. However, no restrictions apply to cases in which the separation from the military service occurred before that date.

We are recommending to the Congress that the act be amended to provide that no credit be given for any periods of military service when the employee is receiving military retired pay, other than retired pay awarded on the basis of certain disabilities or awarded under title III, Public Law 810, Eightieth Congress.

PROCEDURAL DEFICIENCIES

1. *Policing the annuity rolls*

Our review of the administrative procedures pertaining to the issuance of repetitive payments to annuitants after they have been placed on the rolls indicated a weakness in that no procedures existed to preclude continued annuity payments for deceased annuitants whose death is not reported. We recommended to the Commission that controls be established to preclude such improper payments. To date the Commission has not agreed that the benefits justify the costs.

2. *Concurrent military retired pay and civil service annuity*

Current procedures in the adjudication of annuity cases involving military retired pay are inadequate to prevent the payment of unauthorized concurrent military retired pay and a civil service annuity based on the same service. Our audit action in three cases resulted in the aggregate reduction of \$457 in the monthly annuity rates and projected savings based on the life expectancy of each annuitant in the amount of \$72,129. We recommended to the Commission that its procedures be modified to prevent such unauthorized concurrent payments. The Commission has concurred with our recommendations and has taken steps to put them in effect.

CREATION AND PURPOSE OF THE FUND

HISTORY OF THE FUND

The Civil Service Retirement and Disability Fund was created August 1, 1920, by the act of May 22, 1920 (41 Stat. 614), for the purpose of furnishing retirement benefits to employees who become superannuated or incapacitated in the civil service of the United States. The basic act and amendments thereto were extensively revised by the act of May 29, 1930 (46 Stat. 468), which is now generally referred to as "the Retirement Act." Since that date numerous amendments to the law have been made to control the administration of the Fund with regard to coverage, contributions, and payments. One of the major changes in the Fund resulted from the merger of the Canal Zone and Alaska Railroad Retirement Systems with the Civil Service Retirement System, pursuant to the act of July 21, 1949 (63 Stat. 475).

The benefits of the Civil Service Retirement and Disability Fund apply in general to all employees of the Government of the United States and the municipal Government of the District of Columbia, except those subject to another retirement system. The benefits currently provided under the Civil Service Retirement System are summarized as follows:

1. Retirement with annuity after the required service and after reaching the specified age.
2. Retirement with annuity in case of total disability for useful and efficient service in the grade or class of position held, after at least 5 years of civilian service.
3. Separation annuity benefits under specified conditions where separated employees are not entitled to age or disability annuities.
4. Annuity benefits to surviving widows and children under specified conditions.
5. Refund of *retirement deductions* to separated employees under specified conditions.
6. Lump-sum death payments of contributions remaining in the Fund at the death of the employee or termination of the annuity to the appropriate claimants.

OTHER RETIREMENT SYSTEMS

In addition to the Civil Service Retirement System, the Civil Service Commission also administers another retirement system for the payment of annuities under two special acts of Congress as follows:

1. *Panama Canal construction annuities*

The act of May 29, 1944 (58 Stat. 257), as amended, provides for the payment of annuities to certain civilian officials and employees, citizens of the United States, engaged for three or more years in or about the construction of the Panama Canal during the period May 4, 1904, to March 31, 1914, or their undivorced widows.

2. *Lighthouse Service annuities*

Annuity benefits were authorized for widows of certain Lighthouse Service employees by the act of August 19, 1950 (64 Stat. 465).

CIVIL-SERVICE RETIREMENT AND DISABILITY FUND 41

The funds necessary for the payment of annuities under these special acts are appropriated annually by the Congress. There are no employee contributions involved and no trust fund such as under the Civil Service Retirement Act. For this purpose, there was appropriated for the fiscal year 1954 the amount of \$2,500,000. Payments under this appropriation during the fiscal year 1954 amounted to \$2,279,135, less repayments of \$46,719—net \$2,232,416.

The Panama Canal Construction annuities to retired employees or their undivorced widows are based upon the average annual basic salary, pay, or compensation of the employee according to the years of service, as follows:

- 40 percent for 3 but not more than 4 years
- 50 percent for more than 4 but not more than 6 years
- 60 percent for more than 6 years

With respect to the Lighthouse Service, annuities of \$50 a month are authorized for widows who married such employees before their retirement and have not remarried.

MANAGEMENT OF THE FUND

HISTORY

The administration of the first law for the retirement of employees in the classified civil service of the United States (41 Stat. 614) was vested in the Commissioner of Pensions under the direction of the Secretary of the Interior. Executive Order 5398, July 21, 1930, issued pursuant to the act of July 3, 1930 (46 Stat. 1016), transferred the function of administering the retirement law to the Veterans Administration.

Effective September 1, 1934, the administration of the Civil Service Retirement Act was transferred to the United States Civil Service Commission pursuant to Executive Orders 6670 and 6731, dated April 7, 1934, and June 5, 1934, respectively, and the order of the Commission approved by the President on August 24, 1934.

SEPARATION OF RESPONSIBILITIES

The over-all responsibility for administration rests with the Civil Service Commission, where it has been assigned to the Retirement Division. The responsibility for advising and counseling active employees and maintaining a record of service and deductions from salaries rests with the various employing agencies. The procedures to be used by the agencies are prescribed in the Retirement Accounting Manual and the Federal Personnel Manual issued by the Commission and General Regulations issued by the General Accounting Office. The Secretary of the Treasury and the Board of Actuaries have specific responsibilities with respect to administering the Civil Service Retirement and Disability Fund.

The responsibilities of the Commission, the agencies, the Secretary of the Treasury, and the Board of Actuaries with respect to the Civil Service Retirement System are summarized below:

1. *Civil Service Commission*

The Civil Service Commission is responsible for:

- a. Issuing regulations and instructions for the guidance of agencies in performing the tasks listed under the heading "Agency responsibilities."
- b. Processing all retirement claims.
- c. Performing actuarial and legal work involved in the administration of the Retirement Act.
- d. Maintaining individual retirement records (S. F. 2806) on separated employees.
- e. Accounting for and depositing in the Treasury to the credit of the Civil Service Retirement and Disability Fund all moneys received by the Commission covering deposits, re-deposits, voluntary contributions, and amounts deducted from salaries of employees of Government-owned corporations.
- f. Maintaining over-all retirement control accounts, prescribed by the General Accounting Office.
- g. Determining the soundness of retirement funds and the amounts Congress should appropriate annually to these funds.
- h. Recommending such changes and improvements as may be necessary to protect the employees covered by the Retirement Act, the Government as employer, and the Commissioners who serve as trustees of the retirement funds.
- i. Making a detailed comparative report annually showing all receipts and disbursements on account of annuities, together with the number of persons receiving annuities.
- j. Transmitting to Congress the reports and recommendations of the Board of Actuaries.

2. *Federal agencies and District of Columbia government*

Every Federal agency and the municipal government of the District of Columbia having employees subject to the act is responsible for:

- a. Preparing individual retirement records on all eligible employees until separated and recording thereon service and deductions from salaries.
- b. Maintaining retirement control accounts as prescribed by the General Accounting Office.
- c. Withholding retirement deductions currently from compensation of each employee subject to the act and depositing such amounts in the Treasury of the United States to the credit of the Civil Service Retirement and Disability Fund.
- d. Certifying retirement accounts and transmitting retirement claims and accounts to the Commission.
- e. Preparing periodic and annual retirement accounting reports of financial and statistical data pertinent to amounts withheld from salaries of employees.
- f. Advising and counseling active employees as to their rights, benefits, and obligations under the act.
- g. Providing facilities for answering questions presented by active employees.

3. *The Secretary of the Treasury*

Section 11 of the act provides that the Secretary of the Treasury shall invest, in interest-bearing securities of the United States, such

portions of the Fund as in his judgment may not be immediately required for annuities, refunds, and allowances, and the income derived from such investments shall constitute a part of the Fund.

4. *The Board of Actuaries, Civil Service Retirement and Disability Fund*

Section 16, Public Law 215, May 22, 1920 (41 Stat. 614), authorizes the selection of a Board of Actuaries composed of three members—a Government actuary (a Treasury Department employee) and two private citizens. This Board is responsible for:

- a. Reporting annually upon the actual operations of the act.
- b. Recommending to the Civil Service Commission such changes as are deemed necessary to protect the public interest and to maintain the system on a sound financial basis.
- c. Making an evaluation of the Civil Service Retirement and Disability Fund at intervals of 5 years, or oftener if deemed necessary by the Commission.
- d. Preparing such tables as may be required for computing annuities under the act.

ORGANIZATION OF THE RETIREMENT DIVISION, CIVIL SERVICE COMMISSION

The over-all administration of the Civil Service Retirement and Disability Fund is assigned to the Retirement Division of the Civil Service Commission. The Retirement Division operates under the Commissioners and Executive Director and reports to them through the Director of Departmental Operations. The organization of the Retirement Division consists of the following:

Office of the Chief

Staff functions:

Office of the Associate Chief

Office of the Legal Advisor

Office of the Actuary

Operating functions:

Office of the Assistant Chief in Charge of Claims Adjudication (Part Staff):

Claims Section

Service Credit Section

Refund Section

Records Section

Administrative Section (Part Staff)

Fiscal Section

As of June 30, 1954, there were 256 employees on the rolls of the Retirement Division and 255 employees as of June 30, 1955.

ADMINISTRATIVE COSTS OF THE COMMISSION

The Civil Service Commission's administrative cost of operating the retirement system is not chargeable to the retirement fund but is paid out of the regular appropriation for the administration of the Commission and is accounted for by the Budget and Finance Division of the Civil Service Commission. The salary cost and man-years by function of the Retirement Division is presented, as follows:

CIVIL-SERVICE RETIREMENT AND DISABILITY FUND

UNITED STATES CIVIL SERVICE COMMISSION

RETIREMENT DIVISION

SUMMARY OF SALARY COST AND MAN-YEARS BY FUNCTIONS

Function	1954 actual		1955 authorized		1956 estimated	
	Man-years	Cost	Man-years	Cost	Man-years	Cost
Processing annuity and death claims.....	72.8	\$362,566	72.9	\$363,269	72.9	\$363,051
Processing refund claims.....	28.5	115,252	26.5	107,094	25.7	104,024
Processing service credit claims.....	10.9	43,927	12.5	56,370	11.5	52,001
Maintaining control accounts.....	26.0	117,169	24.6	111,007	24.6	111,007
Maintaining the annuity roll.....	21.9	82,964	24.1	91,036	26.2	99,180
Maintaining file of retirement record cards.....	33.9	115,247	33.6	114,271	33.6	114,360
Answering inquiries.....	32.7	155,065	32.4	153,803	32.4	153,766
Making actuarial studies.....	4.0	24,625	4.0	24,625	4.0	24,625
Mail and files services.....	35.9	121,126	32.9	111,126	32.9	111,126
Total obligations.....	266.6	\$1,142,941	263.5	\$1,132,606	263.8	\$1,133,140
Average salary rates.....		\$4,287		\$4,298		\$4,295

FINANCING OF THE FUND

Receipts

The receipts of the Fund consist of:

1. Employees' contributions by salary deductions, purchase of service credit, and purchase of additional annuities by voluntary contributions.
2. Government contributions from the following sources:
 - a. Direct appropriations to the Fund from the general fund of the Treasury.
 - b. Indirect appropriation to the Fund as part of the appropriation for the District of Columbia.
 - c. Contributions by Virgin Islands Corporation, Panama Canal Company, Small Business Administration, and St. Lawrence Seaway Development Corporation for the Government's share of the cost of the Retirement Fund. These billings are based on 6½ percent of the payroll.
3. Interest on investments in United States Government obligations, such as Treasury notes, Treasury certificates, and United States savings bonds. Interest is at 2½ percent to 4 percent, with the largest part of the funds invested at 4 percent. In this connection it is to be noted that since December 30, 1947, interest on contributions returned to employees is compounded at the rate of 3 percent annually.

Employee contributions

Contributions to the Fund are made by both the employees and the Government.

Employees' contributions began August 1, 1920, the effective date of the organic act (41 Stat. 614). The rate of salary deductions and the effective periods are as follows:

1. 2½ percent of basic salary, pay, or compensation for services rendered after July 31, 1920, and before July 1, 1926.
2. 3½ percent of basic salary, etc., for services rendered from July 1, 1926, through June 30, 1942.

3. 5 percent of basic salary, etc., from July 1, 1942, and before the first day of the first pay period which begins after June 30, 1948.
4. 6 percent of salary, etc., for services rendered thereafter.

Any employee may at his option and under regulations prescribed by the Civil Service Commission deposit additional sums in multiples of \$25 but not to exceed 10 percent of his annual salary for service rendered since August 1, 1920, for the purchase of an additional annuity. Any employee who desires full credit for annuity computation purposes for service rendered for which deductions were not made may make optional deposits after he becomes a member of the retirement system. The amount of deposit is computed at the applicable salary deduction rates for the period for which payment is being made plus interest. An employee must redeposit previous refunds with interest in order to get full credit for those periods in his annuity computation.

Appropriations

Section 17 of the Civil Service Retirement Act of May 29, 1930, as amended (5 U. S. C. 730), provides that the Commission shall submit annually to the Bureau of the Budget estimates of the appropriation necessary to finance the Retirement and Disability Fund and to continue the act in full force and effect. No regular annual appropriation was made for fiscal years 1954 and 1955. However, during the fiscal years 1954 and 1955 certain Government contributions totaling \$68,987,334 were made from the following sources:

	<i>Fiscal years</i>	
	<i>1954</i>	<i>1955</i>
Appropriation for cost-of-living increases in annuities payable under Public Law 555 (66 Stat. 722).....	\$31,397,000	\$29,623,000
Appropriation of the District of Columbia.....	2,430,000	2,532,000
Contribution of Government's share by Government Corporation:		
Panama Canal Company.....	1,456,169	1,460,644
Virgin Islands Corporation.....	20,000	24,578
Small Business Administration.....		37,597
St. Lawrence Seaway Development Corporation.....		6,277
	<u>\$35,303,238</u>	<u>\$33,684,096</u>

In some instances debts due the United States from employees subject to the retirement fund are collected by set-off against the employees' retirement accounts at the time claims for annuities or refunds are adjudicated, except that debts due from former employees with less than 5 years of service are set off upon receipt of notice. Simplified procedures, approved by the Comptroller General, permit the annual total of such recoveries to be retained in the retirement fund and applied (deducted) as a portion of the annual appropriation which is authorized next as the Government's general contribution to the Fund, unless specific exceptions are granted on the basis of express requirements of law governing the moneys recovered. Such application has been suspended with regard to collections made in the last 3 years since annual appropriations from the general fund of the Treasury to which the Commission intended to apply these amounts were not made for the fiscal years 1954 and 1955. The amounts of debts which have been set off against individual retirement

accounts for application against subsequent appropriations, and the disposition thereof, are summarized as follows:

<i>Year of recovery</i>	<i>Annual totals of recoveries</i>	<i>Appropriation applied against</i>
1947.....	\$563, 241	1949
1948.....	330, 805	1950
1949.....	178, 537	1951
1950.....	215, 253	1952
1951.....	158, 019	1953
	<u>1, 445, 855</u>	
1952.....	218, 737	Held in abeyance
1953.....	326, 511	
1954.....	335, 850	
1955.....	247, 145	
	<u>1, 128, 243</u>	
Total.....	<u>\$2, 574, 098</u>	

On July 22, 1955, the Comptroller General approved revised procedures authorizing the Civil Service Commission, on a prospective basis, to refund to the departments and agencies, by checks drawn against the Civil Service Retirement and Disability Fund, amounts approved for set-offs.

Other Government contributions

The applicable laws provide that the Panama Canal Company, Virgin Islands Corporation, the Small Business Administration, and the St. Lawrence Seaway Development Corporation shall contribute to the Civil Service Retirement and Disability Fund on the basis of annual billings as determined by the Civil Service Commission. Beginning with fiscal year 1953, the rate of such billings was reduced from 6½ percent to 6 percent by the Retirement Division, Civil Service Commission. However, contributions by the Panama Canal Company and the Virgin Islands Corporation were submitted in amounts computed at the former rate of 6½ percent. The Small Business Administration remitted at the new rate, 6 percent.

Because of the discrepancy the matter was submitted to the Commission for clarification. The Commission determined that the reduction in rate was in error. The corporations were notified that the reduced rates were erroneous and corrected billings at 6½ percent were submitted.

However, the Small Business Administration, having remitted at the unauthorized rate, was billed for additional \$3,133 to make up the difference.

Also, it was noted in the audit of Government corporation contributions that no charge is assessed against the Panama Canal Company for a proportionate share of the administrative costs of managing the Fund in a manner that such assessments are made against the Virgin Islands Corporation and the Small Business Administration. The act that provides for incorporating the Panama Railroad Company, Public Law 808, Eightieth Congress (62 Stat. 1075), approved June 29, 1948, makes no provision for assessment for a proportionate share of the administrative costs.

Investment of funds

The Civil Service Retirement Act provides that the Secretary of the Treasury shall invest from time to time in interest-bearing securities of the United States such portions of the Civil Service Retirement

and Disability Fund as in his judgment may not be immediately required for the payment of annuities, refunds, and allowances. It further provides that the income derived from such investments shall constitute a part of said Fund.

The interest rate on such investments may be fixed at the discretion of the Secretary of the Treasury. It has been the policy in the past to issue special bonds with interest at 4 percent as shown in the following tabulation:

At end of fiscal year	Total investment	Investment at 4%	Percent of total investment	Investment at 3%	Percent of total investment	Investment at 2½%	Percent of total investment
1953.....	5,586	5,572	99.75	13	.24	.7	.01
1954.....	5,839	5,824	99.75	14	.24	.7	.01
1955.....	6,152	2,090	33.98	4,061	66.01	.6	.01

At the end of fiscal years 1953 and 1954 investment in 4 percent special Treasury Notes represented 99.75 percent of the total. However, in fiscal year 1955 only 33.98 percent was invested in 4 percent notes and 66.01 percent was invested in 3 percent notes.

DISBURSEMENTS

The disbursements by the Fund consist of:

1. Monthly payments to retired employees.
2. Monthly payments to survivor annuitants.
3. Lump-sum payment of refunds with interest and certain lump sums with interest that were payable upon the death of an employee, a separated employee, or an annuitant.

TRANSFERS TO AND FROM OTHER RETIREMENT SYSTEMS

Since inception of the retirement system, certain transfers to and from other retirement systems have taken place. A summary of the transfers is listed as follows:

TRANSFERS FROM OTHER RETIREMENT SYSTEMS:

Fiscal year	Retirement system	
1949.....	Comptroller of the Currency.....	\$5,503,996
1950.....	Alaska Railroad.....	3,656,017
1950.....	Canal Zone.....	14,177,606
		<u>23,337,619</u>

TRANSFERS TO OTHER RETIREMENT SYSTEMS:

Fiscal year	Retirement system	
1922.....	Canal Zone.....	1,467,800
1937 and 1941...	Alaska Railroad.....	33,150
1941 and 1949...	Police and Firemen's Relief Fund, D. C.....	82,481
		<u>1,583,431</u>
	Net total of transfers.....	<u>\$21,754,188</u>

DEFICIENCY IN THE FUND

The retirement system is a contributory system which is financed by the participating employees and by the employer—the Federal Government. The Board of Actuaries has reported that the normal contribution required to maintain the Fund is the percentage of the

salaries of all new employees that is required to be paid into the Fund during their period of service to accumulate funds sufficient to pay their benefits. This normal contribution is met partially by the employees, at the current rate of 6 percent of salaries, with the remainder to be contributed by the Government. There is also required a so-called "deficiency contribution," payable entirely by the Government, to provide additional funds owing to:

1. Credit for service, for which no contributions were made, by employees prior to the time of establishment of the fund in 1920.
2. Credit for service, for which no contributions were made, by employees prior to their inclusion as new groups under the retirement system.
3. Addition of new benefits added to the system.
4. The insufficiency of previous Government appropriations.

Status of the Fund as of June 30, 1953

The annual report of the Civil Service Commission has not included financial statements to show the status or condition of the Fund. The Budget and Accounting Procedures Act of 1950 requires the full disclosure of financial results, and, in a report dated October 10, 1955, to the Bureau of the Budget concerning proposed legislation, the General Accounting Office recommended that additional statements should be provided for this trust fund.

The audit made by the General Accounting Office has not been directed toward an evaluation by actuarial methods or otherwise of the liabilities of the retirement fund or of the resources which are, or are expected to be, available to the Fund. However, the Committee on Retirement Policy for Federal Personnel (established as a group distinct from the Civil Service Commission, pursuant to Public Law 555, 82d Cong.), in its report to the Eighty-third Congress on June 29, 1954 (S. Doc. 89, part 4, table 1c), evaluated the financial condition of the system as of June 30, 1953, as follows:

	<i>In billions</i>
Present value of liabilities in respect to active and retired members..	\$20.601
Present value of assets in respect to active and retired employees:	
Funds on hand	\$5.636
Future employee contributions (at 6%)	7.426
Future employer contributions at normal rate (5.15%)	5.869
Total	18.931
Unfunded liability (residual)	\$10.670

The bases on which the estimates were made are set forth in the report of the Committee. On the Committee's assumption that contributions from employees would continue at the current rate of 6 percent of salary, and from the Government at the past average rate of 5.15 percent, the report indicates that there was an unfunded liability (present value) of \$10.67 billion at June 30, 1953, representing the unfinanced past-service liability. The Committee's report shows that if the employee's contribution rate remained at 6 percent, it would require a future Government contribution rate of 8.63 percent as a minimum rate that could be maintained indefinitely without causing an increase in the unfinanced past-service liability.

INEQUITIES OF THE CIVIL SERVICE RETIREMENT SYSTEM

Our examination disclosed many cases where disbursements were made from the Fund which were within the letter of the applicable laws or regulations but which resulted in disproportionate benefits to certain individuals. During the period July 1, 1953, to March 1, 1955, 100 cases were encountered in our audit in which the yearly rate of payments exceeded the total of the employee's contributions. These disproportionate benefits were possible because the Retirement Act allows credit for periods of service during which no contributions were made to the Fund. For such service, employees are given the option of either depositing the amounts which would have been deducted from their salary had they been covered by the act or having their annuity reduced by 10 percent of the amount that should have been deposited.

The inequities disclosed in our analysis of these 100 cases have been remedied to a great extent by the act of August 31, 1954 (68 Stat. 1004), which provides that title to an annuity shall not arise from any separation unless the employee has at least 1 year of creditable civilian service during which he is subject to the act within the 2-year period preceding such separation. The enactment of this amendment does not, however, entirely eliminate the paying of benefits which are disproportionate to contributions.

We believe that additional legislation is required to overcome existing inequities. The following cases illustrate these inequities.

1. *Allowance of service credit for excessive periods of leave without pay*

In the computation of accredited service, section 5 of the act (5 U. S. C. 707) provides, in part:

In computing length of service * * *, all periods of separation from the service, and so much of any leaves of absence as may exceed six months in the aggregate in any calendar year, shall be excluded, except leaves of absence granted employees while performing active military * * * service * * * or while receiving benefits under the United States Employees' Compensation Act, and in the case of substitutes in the Postal Service, credit shall be given from date of original appointment as a substitute.

There is no restriction as to the length of time that an agency may keep an employee in leave-without-pay status, thus enabling the individual to earn certain monetary benefits under the Retirement Act. Some of these benefits are:

- a. Credit is given without deposit to the Fund for so much of furlough or leave without pay that does not exceed 6 months in any calendar year, except that full credit is allowed for such periods if occasioned by one of the quoted exceptions to the act.
- b. A person in a leave-without-pay status for an extended period receives the benefit of all statutory pay increases and in-grade promotions. A monetary benefit will result when the annuity is computed, particularly if the per annum rate during the leave-without-pay period is part of the highest 5-year average.

Two specific instances of inequities of the foregoing type are summarized below:

- a. An employee left his civilian position on December 31, 1941, to enter military service. He returned from military duty

November 22, 1946, and was immediately placed in a leave-without-pay status on that date, and was retained on the rolls in a leave-without-pay status until he applied for optional retirement December 31, 1952. In computing his retirement benefits, he was given service credit for 6 months out of every year for his leave without pay, plus all pay raises and in-grade promotions. This resulted in an annuity of \$202 a month beginning January 1, 1953. If the individual had been removed from the rolls because he did not return to duty after his military service, he would have been entitled to an annuity of \$106 to begin in August 1955.

- b. An employee was retained by an agency in a leave-without-pay status from September 10, 1950, to February 15, 1954. During most of this period (from September 1, 1950, to December 3, 1953) he was employed by the American Federation of Government Employees. The employee applied for and was granted a disability annuity of \$156 a month commencing January 1, 1954. By being retained in a leave-without-pay status, this employee's annuity payments were increased and also his right to apply for disability retirement was preserved, since such claims must be filed within 6 months after separation.

The audit for the period July 1, 1953, through April 1, 1954, disclosed 98 cases where the leave without pay granted is in excess of one calendar year.

In connection with the above statistics, it should be noted that the time range involved in maintaining employees in a leave-without-pay status was from 1 year and 21 days to 9 years and 7 months and the agencies with the most cases and time were the Departments of the Army and Post Office.

Recommendation to the Congress

Because of the unearned benefits accruing, we recommend to the Congress that the Retirement Act be amended to provide that the amount of leave without pay for which an individual may receive credit for retirement purposes be limited to 30 calendar days in any period of leave without pay.

2. *Advantage to person transferring from another Government retirement system to Civil Service Retirement System*

Under existing law an employee may transfer from a position covered by another Government retirement system to one within the purview of the Civil Service Retirement Act. In doing so he can withdraw all contributions from the first system and still be allowed service credit under the Civil Service Retirement Act for the service rendered while under the other system, but a deduction will be made from his annuity of 10 percent of the amounts which would have been deposited to the Fund had he been covered by the act during this period. However, an individual who rendered all service in positions covered by the act and received a refund upon separation must redeposit such refund before retirement after reentry into Government service in order to be allowed credit for prior service.

Recommendation to the Congress

We recommend to the Congress that the Retirement Act be amended to preclude credit for any period of service for which a refund has been received from any Government retirement system, until there has been deposited to the Civil Service Retirement Fund a sum equal to the refund plus interest.

3. *Credit for military service in excess of that on which military retired pay is based*

By virtue of Court of Claims Decision of November 1953, *Prentiss vs. United States*, 126 CCLS 521, a retired Brigadier General was awarded a \$27 a month civil service retirement annuity, beginning February 1, 1952, in addition to his retired military pay, even though all his civilian service was rendered before the enactment of the Civil Service Retirement Act and he had contributed nothing to the Fund.

The applicant served in the classified civil service of the United States before the enactment of the Civil Service Retirement Act for 7 years, 4 months, and 3 days during the period from July 1, 1906, to November 3, 1913. He then served as a commissioned officer in the Army for 32 years, 9 months, and 27 days, from November 4, 1913, to August 31, 1946. On the latter date he was retired from active military service at his own request and is receiving retired pay based upon the first 30 years of his military service. He sued for retirement benefits under the provisions of the Civil Service Retirement Act for an additional 10 years and 2 months, of service, composed of 7 years, 4 months, and 3 days as a civil servant and 2 years, 9 months, and 27 days as a soldier, representing military service in excess of the 30 years. The Civil Service Commission denied the retirement benefits which led to the suit in the Court of Claims.

Prior to the ruling of the Court of Claims, the Government's position was that the applicant never became eligible for benefits under the Civil Service Retirement Act, since his employment in the Civil Service terminated in 1913, and the act was not enacted until 1920, and did not confer rights upon persons who did not have civil service status after its enactment. The applicant claimed that this military service from 1943 to 1946, which did not count toward his military retirement pay, made him eligible, particularly since he had over 7 years of civilian service in addition to the excess military service.

The Court (123 CCLS 429) held that "Although the statutory ensemble is perplexing, the plaintiff is right. Since excess military service and the pre 1920 civilian service could admittedly be counted for Civil Service Retirement benefits if the plaintiff had even the briefest period of post 1920 civilian employment, we do not see what purpose would be served by adopting the Government's construction of the language of section 3 which, in its context is ambiguous." Judgment was later awarded. The Department of Justice decided not to take further action in the instant case and the applicant has been placed on the annuity rolls.

The principal issue involved is whether excess military service, not including certain specific exceptions, may be used as giving title to an annuity in the same manner as all classified civil service. Section

3 of the act states that the act shall, with certain exceptions, apply to all officers and employees in or under the legislative, executive, and judicial branches of the United States Government. To date the interpretation of the act by all agencies charged with its administration has been that section 3 does not include the armed services.

At the present time nine similar cases have been sent to the Board of Appeals and Review (Civil Service Commission), with the recommendation that the claims be denied and the individuals be required to sue.

The Commission does not agree that excess military service beyond that applied to establish the maximum related annuity under the military retirement system may be credited toward a civil service retirement annuity even though the individual does serve in a position subject to the Civil Service Retirement Act subsequent to separation from the military service. If the above-cited court decision is sustained, the act of August 31, 1954 (68 Stat. 1004), will provide some measure of control over these cases where the separation from military service occurred after August 31, 1954. However, it will not affect those cases in which the separation from the military occurred before that date.

Recommendation to the Congress

We recommend to the Congress that the act be amended to provide that no credit be given for any periods of military service when the employee is receiving military retired pay, other than retired pay awarded on the basis of certain disabilities or awarded under title III, Public Law 810, Eightieth Congress.

ADMINISTRATIVE PROCESSING OF RETIREMENT BENEFITS

The administrative processing of the retirement fund appears to be generally satisfactory. Our recommendations for installing improvements in controls or more efficient operating techniques were adopted by the management of the Fund in most instances.

Some of the more important matters relating to administrative policies, practices, or procedures which were brought to the attention of the Retirement Division as a result of our audit are summarized, as follows:

1. Administrative controls of entitlement to repetitive payments

The review of the administrative procedures pertaining to the issuance of repetitive payments to annuitants after they have been placed on the rolls indicated certain weaknesses in the administrative controls to establish the payees' continued entitlement to the payments. Adequate internal controls are employed to discontinue annuity payments when (a) minor children become of age, (b) widows report their remarriage, or (c) deaths of annuitants are properly reported. Circularization is made biennially to all widows on the rolls to establish their continued entitlement to annuities. However, no controls exist to preclude continued annuity payments to deceased annuitant whose death is not reported.

We have recommended to the Retirement Division that procedures be established which will obviate improper annuity payments which result from failures to report pertinent facts to the Civil Service Com-

mission, as indicated above. To date the Commission does not agree that the benefits of such controls justify the costs involved. (See p. 39.)

2. *Concurrent military retired pay and civil service annuity*

Current procedures in the adjudication of annuity cases involving military retired pay are inadequate to prevent the payment of unauthorized concurrent military retired pay and a civil service annuity. Our audit action in three significant cases resulted in the aggregate reduction of \$457 in the monthly annuity rates and projected savings based on the life expectancy of each annuitant in the amount of \$72,129.

We have recommended to the Commission that present procedures be modified to prevent such unauthorized concurrent payments. The revisions involve the modification of forms now in use, additional safeguards to be taken in the verification process, and enlisting the cooperation of the retired pay divisions of the various components of the military establishments and the Veterans Administration, so that the Retirement Division will be notified when a waiver of military retired pay is revoked.

The Commission concurs with the recommendations and has taken steps to put them into effect.

3. *Administrative review*

The initial annuity payments and the payments of death claims are now administratively reviewed before being made available to the General Accounting Office for audit. Under the system in effect prior to our recommended change, the administrative review was not made until after the completion of our audit; the audit was thus being applied to cases upon which the administrative consideration was incomplete.

4. *Interest for nonservice periods*

The Commission discontinued the practice of paying interest from the Fund for that portion of the year in which a period of temporary duty not subject to the Retirement Act preceded, in the same year, a period of employment which was subject to the act. This payment of excessive interest existed in those cases where temporary duty ended in the same year that employment subject to the act commenced, and the computation of interest by the use of charts was based upon service from the beginning of the year instead of commencing with the first day of covered employment.

5. *Notification of entitlement to greater benefits*

The Commission now notifies an applicant for a refund of employee contributions, of his greater rights under an annuity if the applicant is eligible for such annuity when the application for refund is received or will become eligible within 30 days. Under this system it is presumed that the applicant is unaware of his entitlement to more beneficial rights under an annuity, and upon notification the applicant frequently changes his request for refund to an application for an annuity. The previous policy was to pay the refund as requested, even though the applicant had at the time an entitlement to an annuity which would be more beneficial to him.

6. *Additional interest for set-offs*

The Commission now computes and recovers the additional interest due the Government to the date of recovery, in those cases where debts have been referred to the Commission by other Government agencies for set-off against amounts otherwise due the debtor from the Fund, provided the interest rates and other factors necessary to such computation are furnished by the agency requesting the set-off. In such cases the amount of indebtedness is stated, upon receipt in the Commission, in terms of the principal debt and partial interest, the final interest charges being impossible of determination until the final date in the interest period (date of set-off) is known. Under prior procedures the Commission would set off the indebtedness as reported by the requesting agency and pay the former employee (or his estate) the balance due from the Fund, without regard to the additional amounts due the Government for interest charges.

7. *Preparation of award cards from original sources*

The Commission's internal procedures were revised to prepare an annuity award card from the sources of original evidence with respect to commencing date of annuity, monthly rate, and amount to be withheld, if any. The comparison of the annuity award card, from which the voucher is prepared, with the case face-brief (summary) provides an element of internal control for accuracy of the amounts payable. Such control was not previously provided since the award card (and indirectly, the voucher) was transcribed from the face-brief of the case and any errors were continued in the computation and eventually paid. This independent check has resulted in the detection and adjustment of many errors before payment.

8. *Adjustments of underpayments*

The audit of payments made from the Civil Service Retirement and Disability Fund disclosed numerous instances in which errors made in the computation of annuities, refunds, and death claims resulted in underpayments to payees. During the fiscal year 1954 we began to bring these underpayments to the specific attention of the Commission as disclosed with the view of initiating adjustments necessary to assure the payment of proper amounts to the payees. As a result, the Retirement Division supplemented payments previously made and increased subsequent periodic annuity payments as appropriate.

9. *Noncompliance with administrative regulations*

In the audit of annuity and death claim cases it was disclosed that some of the agencies do not comply with the administrative regulations prescribed by the Civil Service Commission pertaining to retirement matters. The following instances of noncompliance have been referred to the administrative agencies for the purpose of instigating corrective action. Final actions in these matters were pending at the close of the fiscal year.

- a. Employees in some agencies were not receiving timely notification for mandatory retirement at age 70.
- b. Department of Agriculture, Extension Service, employees were not making the required contributions to the retirement fund.

10. *Time lost under absence without leave*

The audit of annuity and survivor annuity cases disclosed that no deductions were made for periods of A. W. O. L. in cases where such deductions were made by the various military components under Articles of War 107. Thus the Commission allowed greater service credit for military service than the military establishments. At our request, instructions were issued to deduct for time lost under Articles of War 107.

COLLECTIONS AND ESTIMATED SAVINGS RESULTING FROM AUDIT

The exceptions issued as a result of our audit of transactions for the period July 1, 1953, to June 30, 1955, resulted in actual collections of \$67,511 and projected savings of \$153,779. The amount of projected savings represents the estimated total of future improper repetitive payments which would otherwise have been made. Such estimate was based in each case upon the life expectancy of the particular annuitant.

The statistics of collections and estimated savings resulting from the audit of transactions for the period July 1, 1953, to June 30, 1955, are summarized below:

Collections made relating to informal audit exceptions...	\$61,969
Collections based upon, but in excess of, informal audit exceptions.....	5,542
Total actual collections.....	67,511
Add projected savings in addition to actual collections..	153,779
Total collections and projected savings.....	<u>\$221,290</u>

On June 30, 1955, informal audit exceptions totaling \$5,671 remained outstanding.

MAINTENANCE OF ACCOUNTS

We noted a number of accounting and recordkeeping deficiencies which were discussed with representatives of the Commission and on which corrective action was taken. Listed below are some of the deficiencies and corrective action taken.

1. Segregation of accounts receivable by class to facilitate proper analysis of such accounts has been effected.
2. The control account for inactive accounts in Civil Service Commission never has been reconciled with the individual retirement account cards in file.
3. The control account "Estate Equities of Deceased Annuitants—Pending" exceeded the related individual accounts by \$67,000. The unaccounted-for difference was transferred to the reserve account, "Reserve for Future Annuity Payments to Retired Employees."
4. The method of posting tontine has been revised to reflect more accurately such income.
5. Control of cash—The following deficiencies were corrected:
 - a. Collections are now reported in the month received rather than the month deposited.
 - b. Statement of Balance due the United States reflects cash in transit to Treasury as well as cash on hand.

6. The audit of receipts and cash count resulted in the following changes in administrative practices:
- a. Contents of the safe are now required to be adequately safeguarded at all times.
 - b. All employees of the Retirement Division handling cash are now bonded.
 - c. Cash on hand at the end of the period is now reflected in the accounting records.

FINANCIAL DATA

Included as schedules 1 and 2 of this report for information purposes are the following:

Schedule 1—Statement of assets and liabilities as of June 30, 1954 and 1955

Schedule 2—Summary of cash receipts, disbursements, and balance for the fiscal years 1921 through 1955

These schedules were prepared from the books and records of the Civil Service Retirement and Disability Fund and our audit did not include a verification of them.

SCHEDULES

SCHEDULE 1

UNITED STATES CIVIL SERVICE COMMISSION
CIVIL SERVICE RETIREMENT AND DISABILITY FUND
STATEMENT OF ASSETS AND LIABILITIES

As of June 30, 1954 and 1955

<u>ASSETS</u>		1954	1955
CASH.....		\$72,958,490	\$40,777,208
INVESTMENTS IN OBLIGATIONS OF THE UNITED STATES.....		5,839,646,000	6,152,373,000
ACCOUNTS RECEIVABLE.....		1,145,195	1,694,289
Total assets.....		\$5,913,749,685	\$6,194,844,497
<u>LIABILITIES AND RESERVES</u>			
<u>LIABILITIES</u>			
CLAIMS VOUCHERED BEFORE JUNE 30:			
Lump-sum payments—refunds and death claims and initial annuity issues.....		\$867,940	\$782,797
Monthly payments due retired employees and survivor annuitants for payments accruing to June 30, payable July 1.....		27,146,904	29,949,309
Total claims vouchered before June 30.....		28,014,844	30,732,106
DUE PRESENT AND FORMER EMPLOYEES FOR PAYROLL DEDUCTIONS, SERVICE CREDIT PURCHASES, AND VOLUNTARY DEPOSITS.....		2,876,241,401	3,155,608,264
ACCRUED INTEREST ON AMOUNTS DUE PRESENT AND FORMER EMPLOYEES.....		665,247,267	740,034,078
DUE TO BENEFICIARIES OR HEIRS OF DECEASED RETIRED EMPLOYEES.....		1,662,511	1,837,900
RECOVERIES OF DEBTS DUE THE UNITED STATES.....		881,100	1,128,246
Total liabilities.....		3,572,047,123	3,929,340,654
<u>RESERVES</u>			
AVAILABLE RESERVE FOR FUTURE PAYMENTS TO RETIRED EMPLOYEES NOW ON ROLLS AND SURVIVORS' ANNUITANTS.....		2,341,702,562	2,265,503,843
Total liabilities and reserves.....		\$5,913,749,685	\$6,194,844,497

SCHEDULE 2

UNITED STATES CIVIL SERVICE COMMISSION
CIVIL SERVICE RETIREMENT AND DISABILITY FUNDSUMMARY OF CASH RECEIPTS,
DISBURSEMENTS, AND BALANCES

FOR FISCAL YEARS 1921 THROUGH 1955

FISCAL YEAR ENDED JUNE 30	RECEIPTS				DISBURSEMENTS				TRANSFERS FROM (+) TO (-) OTHER RETIREMENT SYSTEMS	BALANCE IN FUND JUNE 30
	DEDUCTIONS FROM SALARIES OF EM- PLOYEES AND VOL- UNTARY CONTRI- BUTIONS 1	GOVERNMENT APPROPRIATIONS	INTEREST ON INVESTMENTS	TOTAL RECEIPTS	PAYMENTS TO RETIRED EM- PLOYEES 2	PAYMENTS TO SURVIVOR ANNUITIES	PAYMENTS OF REFUNDS AND DEATH CLAIMS	ADJUSTMENTS	TOTAL DISBURSEMENTS	
1921-1926	142,729,500.09	19,950,000.00	13,211,143.86	155,940,643.95	51,032,215.83	21,865,957.44	21,865,957.44	-43,786.62	72,955,384.65	82,965,259.30
1929	28,122,943.16	4,446,797.16	52,519,740.34	52,519,740.34	12,005,059.88	4,067,423.54	4,067,423.54	-9,913.35	16,062,570.07	118,442,429.57
1930	28,046,108.65	20,500,000.00	5,889,257.42	55,447,366.07	13,107,731.55	5,049,107.36	5,049,107.36	-30,340.00	18,126,498.01	156,763,296.73
1931	29,944,191.69	21,000,000.00	7,332,320.46	58,276,512.15	19,859,891.08	4,160,371.69	4,160,371.69	-27,985.37	23,992,317.41	181,047,491.47
1932	31,888,697.70	21,000,000.00	8,588,812.85	61,478,510.55	23,545,700.19	3,924,374.87	3,924,374.87	3,924,374.87	27,470,075.06	222,568,126.02
1933	30,493,732.21	21,000,000.00	9,732,285.53	61,226,090.74	30,048,405.96	4,789,286.09	4,789,286.09	4,789,286.09	34,837,692.05	249,996,524.71
1934	28,703,454.68	21,000,000.00	10,518,358.79	60,221,817.47	39,620,913.80	8,035,785.74	8,035,785.74	8,035,785.74	47,656,699.54	262,561,642.64
1935	30,089,204.72	21,000,000.00	10,822,690.96	61,912,095.68	46,870,622.68	5,773,407.52	5,773,407.52	5,773,407.52	52,744,030.20	271,729,708.12
1936	32,405,114.23	40,150,000.00	11,712,785.15	84,267,899.38	50,243,146.50	6,465,675.33	6,465,675.33	6,465,675.33	56,708,822.13	299,288,735.37
1937	34,990,072.51	46,200,000.00	13,012,960.98	94,203,033.49	51,900,514.78	7,228,159.49	7,228,159.49	7,228,159.49	59,128,674.27	339,358,981.62
1938	37,322,048.95	73,234,760.00	16,633,825.67	127,192,635.62	54,153,266.80	8,322,354.32	8,322,354.32	8,322,354.32	62,475,621.12	399,076,956.32
1939	39,189,380.16	75,066,760.00	19,220,490.57	133,486,640.73	56,530,979.43	7,287,249.24	7,287,249.24	7,287,249.24	63,818,228.67	464,755,408.38
1940	42,944,629.42	67,171,760.00	21,564,999.99	151,681,589.41	59,252,240.81	8,063,235.46	8,063,235.46	8,063,235.46	67,315,476.29	553,121,521.50
1941	55,402,455.43	91,559,110.00	23,163,610.35	172,125,175.78	62,736,210.79	9,633,919.52	9,633,919.52	9,633,919.52	72,370,130.31	652,818,652.90
1942	66,927,205.66	101,761,202.00	29,722,392.61	218,410,600.29	65,181,672.41	11,185,722.80	11,185,722.80	11,185,722.80	76,367,395.21	794,651,884.83
1943	226,149,125.31	106,137,575.00	37,758,863.36	370,075,563.67	69,463,337.67	14,168,467.69	14,168,467.69	14,168,467.69	83,631,805.36	1,081,285,643.24
1944	268,408,079.79	175,993,037.00	52,761,637.64	498,162,754.43	74,207,149.21	28,934,250.38	28,934,250.38	28,934,250.38	103,161,399.59	1,476,298,616.16
1945	288,114,029.05	195,790,875.00	66,364,148.62	552,268,052.67	80,257,778.56	72,283,349.39	72,283,349.39	72,283,349.39	152,551,127.97	1,676,227,651.70
1946	279,537,869.56	246,220,000.00	84,430,220.33	610,188,089.91	86,995,694.43	196,195,067.65	196,195,067.65	196,195,067.65	285,190,752.28	2,201,224,979.32
1947	255,485,491.10	221,293,000.00	94,344,089.36	571,122,580.46	101,264,807.24	192,608,630.23	192,608,630.23	+1,199.26	293,874,536.75	2,478,818,593.94
1948	234,447,511.44	245,530,000.00	107,112,643.46	587,090,156.92	114,517,734.93	126,056,064.60	126,056,064.60	+849.54	245,574,649.07	2,623,620,080.68
1949	325,149,016.50	226,032,000.00	122,786,553.78	673,979,570.28	146,704,612.65	68,421,210.60	68,421,210.60	68,421,210.60	213,735,767.35	2,837,355,848.03
1950	355,649,805.37	204,508,880.84	143,173,559.13	803,332,245.14	164,430,000.29	5,777,321.51	96,281,714.37	96,281,714.37	266,489,536.17	3,043,229,352.45
1951	374,375,992.23	307,117,455.27	164,351,022.66	846,551,469.56	155,421,904.44	10,997,666.71	72,534,135.97	72,534,135.97	286,955,702.12	3,419,285,112.89
1952	414,722,450.77	312,776,021.56	168,190,280.70	915,688,753.03	207,625,516.34	16,079,596.08	76,879,612.88	76,879,612.88	294,504,787.50	3,713,789,900.39
1953	420,034,534.57	325,104,154.19	214,579,442.91	959,718,131.67	246,711,412.89	23,472,666.16	91,003,429.55	91,003,429.55	304,707,314.00	3,965,497,214.39
1954	425,000,000.00	337,303,299.87	225,654,018.14	988,957,318.01	281,560,565.67	29,445,478.97	99,118,629.17	99,118,629.17	409,124,673.81	4,374,621,888.20
1955	440,844,678.66	315,678,723.94	213,377,235.52	1,069,840,638.12	310,280,638.20	34,685,728.06	82,655,729.37	82,655,729.37	427,621,135.63	4,802,243,023.83
TOTAL	4,989,871,741.20	3,336,299,599.57	1,943,984,662.38	10,269,755,003.15	2,709,679,794.44	123,141,820.59	1,234,193,332.78	-109,924.52	4,160,814,949.29	5,963,058,156.61

1 INCLUDES PAYMENTS INTO THE FUND FOR PURCHASE OF CREDITABLE SERVICE.

2 INCLUDES PAYMENTS OF ACCRUED ANNUITIES TO ESTATES OF DECEASED ANNUITANTS, AND PAYMENTS TO SURVIVOR ANNUITANTS FOR THE FISCAL YEARS 1941 TO 1948.

3 INCLUDES \$137,341.81 COLLECTIONS AND \$507.16 REPAYMENTS IN TRANSIT, CREDITED BY TREASURY IN JULY 1955, \$50.00 IN THE ACCOUNTABLE OFFICER'S CASH FUND, AND ACCOUNTS RECEIVABLE AS OF JUNE 30, 1955, IN AMOUNT OF \$1,694,269.00.